

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Hyundai Motor Company:

We have audited the accompanying non-consolidated balance sheets of Hyundai Motor Company as of December 31, 2007 and 2006, the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended, and the related non-consolidated statement of changes in shareholders' equity for the year ended December 31, 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company as of December 31, 2007 and 2006, the results of its operations, changes in its retained earnings and its cash flows for the years then ended, and changes in its shareholders' equity for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Our audits also comprehended the translation of Korean Won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, cash flows and changes in shareholders' equity in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

January 25, 2008

Notice to Readers

This report is effective as of January 25, 2008, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents	₩ 1,446,065	₩ 1,382,678	\$ 1,541,318	\$ 1,473,756
Short-term financial instruments (Note 3)	2,939,227	2,755,381	3,132,836	2,936,880
Short-term investment securities (Note 5)	110,932	310,295	118,239	330,734
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩ 6,984 million in 2007 and ₩14,331 million in 2006 (Note 14)	2,196,795	1,558,631	2,341,500	1,661,299
Trade notes and account receivable - other	443,751	483,304	472,981	515,140
Inventories (Note 4)	1,448,974	1,219,586	1,544,419	1,299,921
Deferred tax assets (Note 23)	185,103	161,426	197,296	172,059
Derivative assets (Note 2)	13,508	14,318	14,398	15,261
Advances and other current assets	136,813	157,386	145,825	167,754
Total current assets	<u>8,921,168</u>	<u>8,043,005</u>	<u>9,508,812</u>	<u>8,572,804</u>
Non-current assets:				
Long-term investment securities (Notes 6 and 14)	1,267,717	518,009	1,351,223	552,131
Investments securities accounted for using the equity method (Notes 7 and 14)	7,805,738	6,616,813	8,319,908	7,052,668
Property, plant and equipment, net of accumulated depreciation of ₩ 6,338,929 million in 2007 and ₩5,680,264 million in 2006 (Notes 8, 9 and 14)	9,721,065	9,465,474	10,361,399	10,088,973
Intangibles (Note 10)	1,381,124	1,118,597	1,472,100	1,192,280
Derivative assets (Note 2)	100,741	276,607	107,377	294,827
Other assets (Notes 3 and 11)	389,376	391,453	415,025	417,238
Total non-current assets	<u>20,665,761</u>	<u>18,386,953</u>	<u>22,027,032</u>	<u>19,598,117</u>
Total assets	<u>₩ 29,586,929</u>	<u>₩ 26,429,958</u>	<u>\$ 31,535,844</u>	<u>\$ 28,170,921</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2007 AND 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Current liabilities:				
Short-term borrowings (Notes 12 and 14)	₩ 431,209	₩ 474,165	\$ 459,613	\$ 505,399
Current maturities of long-term debt and debentures (Notes 13 and 14)	201,461	116,233	214,731	123,889
Trade notes and accounts payable	2,938,628	2,118,143	3,132,198	2,257,667
Accounts payable-other	1,306,774	1,926,625	1,392,852	2,053,533
Accrued warranties (Note 15)	870,749	800,479	928,106	853,207
Income tax payable	499,379	245,106	532,274	261,251
Accrued expenses	30,170	36,590	32,157	39,000
Derivative liabilities (Note 2)	86,935	184	92,661	196
Withholdings and other current liabilities	690,687	616,220	736,183	656,812
Total current liabilities	<u>7,055,992</u>	<u>6,333,745</u>	<u>7,520,775</u>	<u>6,750,954</u>
Non-current liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩2,455 million in 2007 and ₩2,321million in 2006 (Notes 13 and 14)	1,212,886	1,111,569	1,292,780	1,184,789
Accrued severance benefits, net of National Pension payments for employees of ₩18,666 million in 2007 and ₩23,680 million in 2006, and individual severance insurance deposits of ₩ 935,914 million in 2007 and ₩836,930 million in 2006 (Note 2)	445,306	438,592	474,639	467,482
Long-term accrued warranties (Note 15)	2,184,670	2,284,428	2,328,576	2,434,905
Deferred tax liabilities (Note 23)	385,369	119,219	410,754	127,072
Derivative liabilities (Note 2)	74,915	55,322	79,850	58,966
Other non-current liabilities	25,160	36,255	26,817	38,644
Total non-current liabilities	<u>4,328,306</u>	<u>4,045,385</u>	<u>4,613,416</u>	<u>4,311,858</u>
Total liabilities	<u>11,384,298</u>	<u>10,379,130</u>	<u>12,134,191</u>	<u>11,062,812</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 16)	1,486,980	1,484,942	1,584,929	1,582,756
Capital surplus (Note 17)	5,439,915	5,409,005	5,798,247	5,765,301
Capital adjustments (Note 18)	(718,855)	(706,979)	(766,207)	(753,548)
Accumulated other comprehensive income (loss) (Notes 19 and 20)	548,094	(226,605)	584,197	(241,532)
Retained earnings (Note 21) (Net income of ₩ 1,682,419 million in 2007 and ₩1,526,063 million in 2006)	<u>11,446,497</u>	<u>10,090,465</u>	<u>12,200,487</u>	<u>10,755,132</u>
Total shareholders' equity	<u>18,202,631</u>	<u>16,050,828</u>	<u>19,401,653</u>	<u>17,108,109</u>
Total liabilities and shareholders' equity	<u>₩ 29,586,929</u>	<u>₩ 26,429,958</u>	<u>\$ 31,535,844</u>	<u>\$ 28,170,921</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Sales (Notes 24 and 26):				
Domestic sales	₩ 12,922,665	₩ 11,839,688	\$ 13,773,891	\$ 12,619,578
Export sales	17,566,464	15,495,680	18,723,581	16,516,393
	<u>30,489,129</u>	<u>27,335,368</u>	<u>32,497,472</u>	<u>29,135,971</u>
Cost of sales	<u>24,638,849</u>	<u>22,408,572</u>	<u>26,261,830</u>	<u>23,884,643</u>
Gross profit	5,850,280	4,926,796	6,235,642	5,251,328
Selling and administrative expenses (Notes 24 and 27)	<u>4,035,299</u>	<u>3,692,348</u>	<u>4,301,107</u>	<u>3,935,566</u>
Operating income	<u>1,814,981</u>	<u>1,234,448</u>	<u>1,934,535</u>	<u>1,315,762</u>
Other income (expenses), net:				
Interest income, net	140,773	101,251	150,046	107,920
Gain (loss) on foreign currency translation, net	(9,650)	12,483	(10,286)	13,305
Gain (loss) on foreign exchange transactions, net	(21,580)	36,931	(23,001)	39,364
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	445,301	600,321	474,633	639,866
Loss on valuation of derivatives, net (Note 2)	(197,265)	(274,104)	(210,259)	(292,159)
Rental and royalty income	214,524	267,579	228,655	285,205
Loss on disposal of trade notes and accounts receivables	(95,421)	(78,947)	(101,706)	(84,147)
Loss on disposal of property, plant and equipment, net	(56,148)	(39,253)	(59,847)	(41,839)
Gain on disposal of short-term investment securities, net	29,721	17,864	31,679	19,041
Gain (loss) on disposal of long-term investment securities, net	24,810	(429)	26,444	(457)
Impairment loss on intangibles	-	(20,793)	-	(22,163)
Other, net	(68,019)	28,532	(72,500)	30,410
	<u>407,046</u>	<u>651,435</u>	<u>433,858</u>	<u>694,346</u>
Income before income tax	2,222,027	1,885,883	2,368,393	2,010,108
Income tax expense (Note 23)	<u>539,608</u>	<u>359,820</u>	<u>575,152</u>	<u>383,522</u>
Net income	<u>₩ 1,682,419</u>	<u>₩ 1,526,063</u>	<u>\$ 1,793,241</u>	<u>\$ 1,626,586</u>
Basic earnings per common share (Note 2)	<u>₩ 6,207</u>	<u>₩ 5,636</u>	<u>\$ 6.62</u>	<u>\$ 6.01</u>
Diluted earnings per common share (Note 2)	<u>₩ 6,192</u>	<u>₩ 5,614</u>	<u>\$ 6.60</u>	<u>\$ 5.98</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Unappropriated retained earnings (Note 21)				
Beginning of year	₩ 2,475	₩ 37,210	\$ 2,638	\$ 39,661
Change in retained earnings using the equity method	(51,014)	(17,825)	(54,374)	(18,999)
Net income	<u>1,682,419</u>	<u>1,526,063</u>	<u>1,793,241</u>	<u>1,626,586</u>
	<u>1,633,880</u>	<u>1,545,448</u>	<u>1,741,505</u>	<u>1,647,248</u>
Appropriations:				
Legal reserve	27,600	27,600	29,418	29,418
Reserve for technology development	1,325,000	1,240,000	1,412,279	1,321,680
Cash dividends (Note 22)	<u>275,997</u>	<u>275,373</u>	<u>294,177</u>	<u>293,512</u>
	<u>1,628,597</u>	<u>1,542,973</u>	<u>1,735,874</u>	<u>1,644,610</u>
Unappropriated retained earnings, end of year	<u>₩ 5,283</u>	<u>₩ 2,475</u>	<u>\$ 5,631</u>	<u>\$ 2,638</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

	Korean Won					Translation into U.S. Dollars (Note 2)	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total amount	Total amount
	(In millions)					(In thousands)	
January 1, 2007	₩1,484,942	₩5,409,005	₩ (706,979)	₩ (226,605)	₩ 10,090,465	₩16,050,828	\$ 17,108,109
Payment of cash dividend	-	-	-	-	(275,373)	(275,373)	(293,512)
Gain on disposal of treasury stock	-	17,358	-	-	-	17,358	18,501
Gain on valuation of treasury stock fund	-	-	13,187	-	-	13,187	14,056
Acquisition of treasury stock	-	-	(20,395)	-	-	(20,395)	(21,738)
Exercise of stock options	2,038	13,552	(4,668)	-	-	10,922	11,641
Gain on valuation of available-for-sale securities, net	-	-	-	574,900	-	574,900	612,769
Gain on valuation of investment equity securities, net	-	-	-	235,030	-	235,030	250,512
Loss on valuation of derivatives, net	-	-	-	(35,231)	-	(35,231)	(37,552)
Net income	-	-	-	-	1,682,419	1,682,419	1,793,241
Changes in retained earnings using the equity method	-	-	-	-	(51,014)	(51,014)	(54,374)
December 31, 2007	<u>₩1,486,980</u>	<u>₩5,439,915</u>	<u>₩(718,855)</u>	<u>₩ 548,094</u>	<u>₩ 11,446,497</u>	<u>₩18,202,631</u>	<u>\$ 19,401,653</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 1,682,419	₩ 1,526,063	\$ 1,793,241	\$ 1,626,586
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	813,169	791,287	866,733	843,410
Amortization of intangibles	353,241	304,778	376,509	324,854
Loss (gain) on foreign currency translation, net	9,650	(12,483)	10,286	(13,305)
Gain on valuation of investment securities accounted for using the equity method, net	(445,301)	(600,321)	(474,633)	(639,866)
Loss on valuation of derivatives, net	197,265	274,104	210,259	292,159
Loss on disposal of trade notes and accounts receivable	95,421	78,947	101,706	84,147
Loss on disposal of property, plant and equipment, net	56,148	39,253	59,847	41,839
Impairment loss on intangibles	-	20,793	-	22,163
Gain on disposal of short-term investment securities, net	(29,721)	(17,864)	(31,679)	(19,041)
Loss (gain) on disposal of long-term investment securities, net	(24,810)	429	(26,444)	457
Dividends of investment securities accounted for using the equity method	125,500	146,164	133,767	155,792
Provision for severance benefits	338,020	277,261	360,286	295,524
Provision for warranties	320,322	261,436	341,422	278,657
Amortization of discount on debentures	759	3,178	809	3,387
Other	12,392	29,511	13,208	31,456
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(717,910)	(316,680)	(765,199)	(337,540)
Decrease in trade notes and accounts receivable-other	36,957	39,234	39,391	41,818
Increase in inventories	(388,745)	(381,819)	(414,352)	(406,970)
Decrease (increase) in advances and other current assets	14,829	(26,978)	15,807	(28,755)
Decrease (increase) in deferred tax assets	4,665	(26,220)	4,972	(27,947)
Increase (decrease) in trade notes and accounts payable	819,386	(1,325,576)	873,360	(1,412,893)
Increase (decrease) in accounts payable-other	(649,506)	285,309	(692,289)	304,103
Increase in income tax payable	254,273	203,260	271,022	216,649
Decrease in accrued expenses	(6,943)	(6,446)	(7,400)	(6,871)
Increase in deferred tax liabilities	2,697	119,219	2,875	127,072
Increase in withholdings and other current liabilities	73,954	123,248	78,825	131,366
Decrease in accrued warranties	(349,810)	(344,812)	(372,852)	(367,525)
Decrease in derivative assets	36,876	-	39,305	-
Payment of severance benefits	(238,293)	(210,656)	(253,990)	(224,532)
Increase in individual severance insurance deposits	(98,983)	(1,547)	(105,503)	(1,649)
Other	8,463	7,347	9,020	7,833
	<u>2,306,384</u>	<u>1,259,419</u>	<u>2,458,308</u>	<u>1,342,378</u>

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HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	₩ 4,958,312	₩ 4,542,810	\$ 5,284,920	\$ 4,842,049
Proceeds from disposal of short-term investment securities	320,566	319,196	341,682	340,222
Proceeds from disposal of long-term investment securities	54,798	44,168	58,408	47,077
Proceeds from disposal of property, plant and equipment	5,730	32,155	6,107	34,273
Proceeds from disposal of investment securities accounted for using the equity method	-	109,046	-	116,229
Reduction in other current assets	14,760	12,360	15,732	13,174
Reduction in other assets	163,064	116,872	173,805	124,570
	<u>5,517,230</u>	<u>5,176,607</u>	<u>5,880,654</u>	<u>5,517,594</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(5,142,158)	(3,437,456)	(5,480,876)	(3,663,884)
Acquisition of short-term investment securities	(51,459)	(271,085)	(54,849)	(288,942)
Acquisition of long-term investment securities	(16,176)	(8,899)	(17,242)	(9,485)
Acquisition of investment securities accounted for using the equity method	(655,847)	(438,629)	(699,048)	(467,522)
Acquisition of property, plant and equipment	(978,014)	(1,221,680)	(1,042,437)	(1,302,153)
Expenditures for development costs	(609,057)	(514,521)	(649,176)	(548,413)
Additions to other assets	(173,367)	(166,829)	(184,786)	(177,817)
	<u>(7,626,078)</u>	<u>(6,059,099)</u>	<u>(8,128,414)</u>	<u>(6,458,216)</u>
	<u>(2,108,848)</u>	<u>(882,492)</u>	<u>(2,247,760)</u>	<u>(940,622)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	2,318,877	12,402,161	2,471,623	13,219,101
Proceeds from long-term borrowings	2,912	508	3,104	541
Proceeds from issuance of debentures	299,107	299,107	318,809	318,809
Proceeds from disposal of treasury stock	3,892	5,112	4,148	5,449
Proceeds from exercise of stock options	10,923	10,923	11,643	11,643
	<u>2,635,711</u>	<u>12,717,811</u>	<u>2,809,327</u>	<u>13,555,543</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(2,376,435)	(12,709,079)	(2,532,973)	(13,546,236)
Repayment of current maturities of long-term debt	(116,232)	(463,963)	(123,888)	(494,525)
Payment of cash dividends	(275,373)	(342,300)	(293,512)	(364,848)
Purchase of treasury stock	(1,820)	-	(1,940)	-
	<u>(2,769,860)</u>	<u>(13,515,342)</u>	<u>(2,952,313)</u>	<u>(14,405,609)</u>
	<u>(134,149)</u>	<u>(797,531)</u>	<u>(142,986)</u>	<u>(850,066)</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(In millions)		(In thousands)	
Net increase (decrease) in cash and cash equivalents	₩ 63,387	₩ (420,604)	\$ 67,562	\$ (448,310)
Cash and cash equivalents, beginning of year	<u>1,382,678</u>	<u>1,803,282</u>	<u>1,473,756</u>	<u>1,922,066</u>
Cash and cash equivalents, end of year	<u>₩ 1,446,065</u>	<u>₩ 1,382,678</u>	<u>\$ 1,541,318</u>	<u>\$ 1,473,756</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. THE COMPANY:

Hyundai Motor Company (the "Company") was incorporated in 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts.

The Company owns and operates three principal automobile production bases in Korea: the Ulsan factory, the Asan factory and the Jeonju factory. In addition, the Company has invested in five overseas manufacturing plants including Hyundai Motor Manufacturing Alabama, LLC (HMMA) as well as fourteen overseas sales and R&D subsidiaries including Hyundai Motor America (HMA).

The shares of the Company have been listed on the Korea Stock Exchange since 1974 and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of December 31, 2007, the major shareholders of the Company are Hyundai MOBIS (14.98%), Hyundai Steel (5.85%) and Chung, Mong Koo (5.18%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩938.20 to US\$1.00 at December 31, 2007, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its non-consolidated financial statements as of December 31, 2007 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards ("SKAS") No. 1 through No.23, except for No.14.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of December 31, 2007 are identical to those as of December 31, 2006, except for the adoption of additional SKAS No.11 - "Discontinuing Operations", No.21 - "Preparation and presentation of financial statements", No.22 - "Share-based payment" and No.23 - "Earning per share", which were effective from January 1, 2007.

The Company did not present comparative statement of changes in shareholders' equity for the year ended December 31, 2006 according to the transition provision of SKAS No.21.

The 2007 financial statements of the Company to be submitted to the shareholders' meeting were approved by the Board of Directors on January 24, 2008.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Revenue Recognition

Sales of goods is recognized at the time of shipment only if it meets the conditions that significant risks and rewards of ownership of the goods have been transferred to the customer, and neither continuing managerial involvement nor effective control over the goods sold is retained. Revenue arising from rendering of services is generally recognized by the percentage-of-completion method at the balance sheet date. In addition, revenue arising from interest, dividends or royalties is recognized when it is probable that future economic benefits will flow into the Company and those benefits can be measured reliably.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average method, except for materials in transit for which cost is determined using the specific identification method. Valuation loss incurred when the market value of an inventory falls below its carrying amount is added to the cost of goods sold.

Investments in Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as short-term investment securities, whereas available-for-sale and held-to-maturity securities are classified as long-term investment securities, except for those whose maturity dates or whose likelihood of being disposed of are within one year from balance sheet date, which are classified as short-term investment securities.

Valuation of Securities

Investments in securities are initially measured at cost, which consists of the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration given is not available, the market prices of the securities purchased are used as the basis for measurement. If neither the market price of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value. After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between their acquisition costs and face values is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum accumulated amount of accumulated other comprehensive income (loss) is reflected in current operations. However, available-for-sales securities that are not traded in an active market and whose fair value cannot be reliably measured are valued at cost.

If the estimated recoverable amount of securities is less than the acquisition cost of equity securities or amortized cost of debt securities and any objective evidence for such impairment loss exists, impairment loss is recognized in current operations in the period when it arises.

The lower of the fair value of treasury stock included in treasury stock fund and the fair value of investments in treasury stock funds is accounted for as treasury stock in capital adjustment.

Investment Securities Accounted for Using the Equity Method

Investment securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The Company's share in the net income or net loss of investees is reflected in current operations. The changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to accumulated other comprehensive income (loss).

The difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities at the date of acquisition is amortized over 20 years for goodwill or reversed over the remaining weighted average useful life of the identifiable acquired depreciable assets for negative goodwill, which does not exceed the fair value of non-monetary assets acquired, using the straight-line method. Negative goodwill that exceeds the fair value of non-monetary assets acquired is credited to operations in the year of purchase.

The Company's portion of profits and losses resulting from inter-company transactions that are recognized in assets, such as inventories and fixed assets, are eliminated and charged to investment securities accounted for using the equity method. However, if the investee is a consolidated subsidiary, unrealized profits and losses resulting from sales of assets from the Company to investee are eliminated in full. Also, if the investee is a consolidated subsidiary, the differences between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities, which occurred from additional purchases of investee's shares or changes in ratio of shareholding due to capital increase in investee, are reflected in accumulated other comprehensive income (loss). The differences between the sale amount and book value of the investment securities where the investee remains as a consolidated subsidiary after sales of some portion of investment securities in the consolidation subsidiary are reflected in accumulated other comprehensive income (loss).

If an investor's share of losses of an investee equals or exceeds its interest in the investee, the investor discontinues recognizing its share of further losses. If the investee subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Also, if the recoverable amount of investments in investee becomes less than its carrying amount, the Company recognizes impairment loss.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for assets revalued upward in accordance with the Asset Revaluation Law of Korea. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the increase of future economic benefits such as the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Useful lives (years)</u>
Buildings and structures	15 – 50
Machinery and equipment	12 – 15
Vehicles	6, 15
Dies, molds and tools	6
Other equipment	6

The Company charges all financing cost to current operations in accordance with SKAS No. 7 – “Capitalization of Financing Costs”. In addition, the Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence, rapid declines in market value or other causes of impairment. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Intangibles

Intangibles are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over 3 years from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. Industrial property rights and other intangibles are amortized over the period between 2 and 40 years.

If the recoverable amount of intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method, and the amortization is included in interest expense or interest income. As of December 31, 2007 and 2006, an interest rate of 8.25 percent is used in valuing the receivables and payables at present value.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,399,886 million (US\$1,492,098 thousand) and ₩1,299,202 million (US\$1,384,781 thousand) as of December 31, 2007 and 2006, respectively.

Individual severance insurance deposits, in which the beneficiaries are respective employees, are presented as deduction from accrued severance benefits.

In accordance with the National Pension Act, certain portions of the accrued severance benefits are deposited with the National Pension Fund and deducted from the accrued severance benefits.

Actual payments of severance benefits amounted to ₩238,293 million (US\$253,990 thousand) and ₩210,656 million (US\$224,532 thousand) in 2007 and 2006, respectively.

Accrued Warranties

The Company generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations as of the balance sheet date.

If the difference between nominal value and present value is material, the provision is valued at present value of the expenditures estimated to settle the obligation.

Share-based Payment

Equity-settled share-based payments to employees are measured at fair value of the equity instrument or the goods and services received and the fair value is expensed on a straight-line basis over the vesting period. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date.

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2007 and 2006, the Company deferred the net loss of ₩28,527 million (US\$30,406 thousand) and the net gain of ₩20,068 million (US\$21,390 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as accumulated other comprehensive income (loss). The longest period in which the forecasted transactions are expected to occur is within 47 months from December 31, 2007. Of the net gain on valuation recorded as accumulated other comprehensive income (loss) as of December 31, 2007 amounting to ₩812 million (US\$865 thousand) is expected to be realized and charged to current operations within one year from December 31, 2007.

For the years ended December 31, 2007 and 2006, the Company recognized the net loss of ₩197,265 million (US\$210,259 thousand) and ₩274,104 million (US\$292,159 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

The Company entered into derivative instrument contracts with the settlement for the difference between the fair value and the contracted initial price of the shares of Kia Motors Corporation as follows:

<u>Contract Parties</u>	<u>Derivatives</u>	<u>Period</u>	<u>Number of Kia shares</u>	<u>Initial price</u>
Credit Suisse First Boston International	Equity swap	September 17, 2003 ~ September 8, 2008	12,145,598	US\$ 8.2611
"	Call option (*)	"	12,145,598	US\$ 11.5300
"	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	"	"	1,839,367	US\$ 7.8811

(*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations.

All premiums to be paid by the Company are recorded as accounts payable - other of ₩21,615 million (US\$23,039 thousand) as of December 31, 2007, and accounts payable-other of ₩21,524 million (US\$ 22,942 thousand) and other non-current liabilities of ₩21,417 million (US\$22,828 thousand) as of December 31, 2006, after deducting the present value discount of ₩2,703 million (US\$2,881 thousand). Also, all premiums to be received by the Company are recorded as other current assets of ₩3,561 million (US\$3,796 thousand) as of December 31, 2007, and other current assets of ₩3,529 million (US\$3,761 thousand) and other assets of ₩3,529 million (US\$3,761 thousand) as of December 31, 2006 after deducting the present value discount of ₩448 million (US\$478 thousand).

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums to be paid of ₩114,249 million (US\$121,775 thousand) and ₩290,925 million (US\$310,088 thousand) in current and non-current derivative assets as of December 31, 2007 and 2006, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums to be received of ₩161,850 million (US\$172,511 thousand) and ₩55,506 million (US\$59,162 thousand) is recorded in current and non-current derivative liabilities as of December 31, 2007 and 2006, respectively.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Service, Ltd, which was ₩938.20 and ₩929.60 to US\$1.00 at December 31, 2007 and December 31, 2006, respectively, and translation gains or losses are reflected in current operations.

Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carry forwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

Earnings per Common Share

Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of expenses related to diluted securities, by weighted average number of common shares and diluted securities outstanding during the period.

Basic earnings per common share in 2007 and 2006 are computed as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Net income	₩ 1,682,419	₩ 1,526,063	\$ 1,793,241	\$ 1,626,586
Expected dividends on preferred stock	(390,199)	(355,095)	(415,902)	(378,485)
Net income available to common share	1,292,220	1,170,968	1,377,339	1,248,101
Weighted average number of common shares outstanding (*)	208,194,947	207,776,640	208,194,947	207,776,640
Basic earnings per common share	₩ 6,207	₩ 5,636	\$ 6.62	\$ 6.01

(*) Weighted average number of common shares outstanding includes transactions pertaining to disposal of treasury shares and exercise of stock option.

Diluted earnings per common share in 2007 and 2006 are computed as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Net income available to common share	₩ 1,292,220	₩ 1,170,968	\$ 1,377,340	\$ 1,248,101
Expenses related to diluted securities	-	-	-	-
Net income available to diluted common share	1,292,220	1,170,968	1,377,340	1,248,101
Weighted average number of common shares and diluted securities outstanding	208,675,471	208,567,489	208,675,471	208,567,489
Diluted earnings per common share	₩ 6,192	₩ 5,614	\$ 6.60	\$ 5.98

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of December 31, 2007 and 2006 consist of the following:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Short-term financial instruments:				
Ordinary deposit	₩ 142	₩ 44	\$ 151	\$ 47
Term deposit	32,485	28,738	34,626	30,631
	32,627	28,782	34,777	30,678
Long-term financial instruments (Note 11):				
Guarantee deposits for checking accounts	37	40	39	43
	₩ 32,664	₩ 28,822	\$ 34,816	\$ 30,721

4. INVENTORIES:

Inventories as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 409,342	₩ 305,338	\$ 436,306	\$ 325,451
Semi finished goods and work in process	547,010	458,189	583,042	488,370
Raw materials and supplies	406,568	361,621	433,349	385,441
Materials in transit	86,054	94,438	91,722	100,659
	<u>₩ 1,448,974</u>	<u>₩ 1,219,586</u>	<u>\$ 1,544,419</u>	<u>\$ 1,299,921</u>

5. SHORT-TERM INVESTMENT SECURITIES:

(1) Short -term investment securities as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 62,432	₩ 310,295	\$ 66,544	\$ 330,734
Held-to-maturity securities	48,500	-	51,695	-
	<u>₩ 110,932</u>	<u>₩ 310,295</u>	<u>\$ 118,239</u>	<u>\$ 330,734</u>

(2) Available-for-sale securities of short-term investment securities as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Beneficiary certificates	₩ 61,599	₩ 310,285	\$ 65,656	\$ 330,723
Equity securities	209	-	223	-
Government bonds	624	10	665	11
	<u>₩ 62,432</u>	<u>₩ 310,295</u>	<u>\$ 66,544</u>	<u>\$ 330,734</u>

(3) Debt securities included in held-to-maturity of short-term investment securities as of December 31, 2007 are subordinate debt securities, which were transferred from long-term investment securities in 2007, with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

6. LONG-TERM INVESTMENT SECURITIES:

(1) Long -term investment securities as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 1,267,717	₩ 469,509	\$ 1,351,223	\$ 500,436
Held-to-maturity securities	-	48,500	-	51,695
	<u>₩ 1,267,717</u>	<u>₩ 518,009</u>	<u>\$ 1,351,223</u>	<u>\$ 552,131</u>

(2) Available-for-sale securities of long-term investment securities as of December 31, 2007 consist of the following:

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition cost	Book value	Book value		
	(In millions)		(In thousands)		
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 969,075	\$ 1,032,909		2.88
Hyundai Oil Refinery Co., Ltd.	53,314	123,907	132,069		4.35
Hyundai H&S	15,005	21,462	22,876		4.08
KT Freetel	10,800	10,131	10,798		0.17
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	26,146	27,868		9.99
Hyundai Merchant Marine Co., Ltd.	9,161	29,799	31,762		0.45
Hyundai Development Company	9,025	41,175	43,887		0.60
ENOVA System	2,204	841	896		1.26
Treasury Stock Fund (*1)		11,840	12,620		
Hyundai Asan Corporation	22,500	7,053	7,518		4.61
Hyundai Unicorns Co., Ltd.	5,795	137	146		14.90
Hankyoreh Plus Inc.	4,800	284	303		5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,786		14.97
Industry Otomotif Komersial	4,439	4,439	4,731		15.00
Kihyup Finance	3,000	3,000	3,198		10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,665		13.66
NESSCAP Inc.	1,997	1,997	2,129		12.05
Hyundai Research Institute	1,359	1,271	1,355		14.90
The Sign Corporation	1,200	1,200	1,279		11.59
Heesung PM Tech Corporation	1,194	1,194	1,273		19.90
ROTIS Inc.	1,000	8	9		0.22
Veloxsoft Inc.	1,000	1,000	1,066		7.69
Backsan Its Co., Ltd.	814	814	868		19.90
Micro Infinity	607	607	647		9.76
NGVTEK.com (*2)	571	571	609		53.66
Clean Air Technology Inc.	500	500	533		16.13
Bs Humantek Co., Ltd.	320	320	341		13.90
Carnes Co., Ltd. (*2)	250	250	265		49.99
Jinil MVC Co., Ltd.	180	180	191		18.00
Other	1,526	1,526	1,626		-
		<u>₩ 1,267,717</u>	<u>\$ 1,351,223</u>		

(*1) The acquisition cost of Treasury Stock Fund is ₩12,213 million (US\$13,017 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩5,040 million (US\$5,372 thousand) is recorded as treasury stock in capital adjustments.

(*2) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$7,461 thousand), are not material.

Available-for-sale securities of long-term investment securities as of December 31, 2006 consist of the following:

Name of company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	(%)
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 275,940	\$ 294,116	2.88
Hyundai Oil Refinery Co., Ltd.	53,314	53,314	56,826	4.35
KT Freetel	10,800	9,931	10,585	0.17
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,659	9.99
Hyundai Merchant Marine Co., Ltd.	9,161	1	14,995	0.45
Hyundai Development Company	9,025	25,560	27,244	0.60
ENOVA System	2,204	2,204	2,349	3.80
Hyundai Corporation	13,626	1,743	1,858	0.37
Hyundai Development Company	10,000	1,400	1,492	2.21
LG Telecom	9,795	18,086	19,277	0.68
Jin Heung Mutual Savings Bank	2,166	2,188	2,332	2.28
Korea Environment Technology Co., Ltd.	1,500	2,520	2,686	6.00
Dong Yang Investment Bank	282	127	135	0.01
Treasury Stock Fund (*1)		17,948	19,130	
Hyundai Asan Corporation	22,500	5,405	5,761	4.61
Hyundai Unicorns Co., Ltd.	5,795	137	146	14.90
Hankyoreh Plus Inc.	4,800	284	303	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,786	14.97
Industry Otomotif Komersial	4,439	4,439	4,731	15.00
Kihyup Finance	3,000	3,000	3,198	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,665	13.66
NESSCAP Inc.	1,997	1,997	2,129	12.05
Hyundai Research Institute	1,359	1,271	1,355	14.90
The Sign Corporation	1,200	1,200	1,279	11.59
Heesung PM Tech Corporation	1,194	1,194	1,273	19.90
ROTIS Inc.	1,000	8	9	1.33
Veloxsoft Inc.	1,000	1,000	1,066	8.00
Micro Infinity	607	607	647	9.76
NGVTEK.com (*2)	571	571	609	53.66
Clean Air Technology Inc.	500	500	533	16.13
Carnes Co., Ltd. (*2)	250	250	265	49.99
Jinil MVC Co., Ltd.	180	180	191	18.00
HMCIS (*2)	3,959	3,959	4,220	80.00
Other	1,488	1,488	1,586	-
		<u>₩ 469,509</u>	<u>\$ 500,436</u>	

(*1) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,402 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩18,227 million (US\$19,428 thousand) is recorded as treasury stock in capital adjustments.

(*2) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$7,461 thousand), are not material.

As of December 31, 2007 and 2006, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩26,701 million (US\$28,460 thousand) and ₩28,349 million (US\$30,216 thousand) reflected before 2006, respectively.

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of December 31, 2007 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Motor America	₩1,255,201	₩1,231,556	₩1,194,353	\$ 1,337,882	\$ 1,312,680	\$ 1,273,026	100.00
Hyundai Motor Manufacturing Czech, Ltd.	496,867	529,844	529,844	529,596	564,745	564,745	100.00
Beijing-Hyundai Motor Company	339,395	522,667	516,196	361,751	557,096	550,198	50.00
Hyundai Motor India	244,017	717,555	695,313	260,091	764,821	741,114	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	(6,810)	-	97,330	(7,259)	-	70.00
Hyundai Translead	80,623	104,349	128,489	85,934	111,223	136,953	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	58,389	58,389	57,020	62,235	62,235	100.00
China Millennium Corporations	53,466	18,147	55,572	56,988	19,342	59,233	59.60
Hyundai Motor Japan Co. (*1)	42,292	(51,999)	-	45,078	(55,424)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(9,926)	-	39,097	(10,580)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	26,447	40,153	25,729	28,189	42,798	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	28,917	28,917	24,291	30,822	30,822	24.08
Hyundai Motor Europe GmbH	17,529	28,945	28,945	18,684	30,852	30,852	100.00
Hyundai Motor Group China Ltd.	15,371	24,512	24,512	16,384	26,127	26,127	50.00
Hyundai Motor Company Australia WIA Automotive Engine (ShanDong) Company	12,382	49,853	35,301	13,198	53,137	37,626	100.00
Hyundai America Technical Center Inc.	10,298	10,849	10,849	10,976	11,564	11,564	22.00
Hyundai Motor Deutschland GmbH	9,635	20,258	20,258	10,270	21,592	21,592	100.00
Hyundai Motor Norway AS	6,761	18,402	17,908	7,206	19,614	19,088	30.00
Hyundai Motor Hungary	5,636	8,418	6,872	6,007	8,973	7,325	100.00
Hyundai Motor Hungary Beijing Jinxian Motor Safeguard Service Co., Ltd.	5,415	2,192	2,283	5,772	2,336	2,433	100.00
Hyundai Motor Commonwealth of Independent States	4,907	4,380	4,380	5,230	4,669	4,669	91.75
HMJ R&D Center Inc.	3,959	18,989	18,333	4,220	20,240	19,541	80.00
Kia Motors Corporation	1,510	1,939	1,939	1,609	2,067	2,067	100.00
Hyundai Capital Service Inc.	923,957	1,886,722	1,939,961	984,819	2,011,002	2,067,748	38.67
Hyundai Card Co., Ltd.	500,325	790,239	519,357	533,282	842,293	553,567	56.47
Hyundai Rotem (Formerly, ROTEM)	435,571	352,181	359,507	464,262	375,379	383,188	32.29
Hyundai HYSKO	254,308	295,017	341,327	271,059	314,450	363,810	57.64
Korea Aerospace Industries, Ltd.	200,768	258,488	252,919	213,993	275,515	269,579	26.13
Hyundai Powertech	159,800	89,514	89,321	170,326	95,410	95,205	20.54
Hyundai Autonet Co., Ltd. (*2)	135,000	150,930	150,792	143,893	160,872	160,725	37.58
Dynos Inc.	118,554	80,406	124,250	126,363	85,702	132,434	16.77
Hyundai Commercial Inc.	68,872	124,213	122,136	73,409	132,395	130,181	47.27
WIA Corporation	50,000	35,109	35,109	53,294	37,422	37,422	50.00
Korea Economy Daily	34,357	194,866	171,714	36,620	207,702	183,025	39.46
Eukor Car Carriers Inc. (*2)	29,973	23,824	26,811	31,947	25,393	28,577	20.55
Partecs Co.	29,347	70,989	62,518	31,280	75,665	66,636	12.00
KEFICO Corporation	22,400	21,779	21,779	23,876	23,214	23,214	56.00
Autoever Systems Corp.	20,911	120,187	118,014	22,288	128,104	125,788	50.00
Chasan Co., Ltd. (*1)	5,947	17,237	17,237	6,339	18,372	18,372	29.90
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	4,500	(7,362)	-	4,796	(7,847)	-	30.00
Iljin Bearing Co., Ltd.	3,925	7,268	7,357	4,184	7,747	7,841	31.84
Daesung Automotive Co., Ltd.	826	16,109	16,109	880	17,169	17,169	20.00
	400	10,714	10,714	426	11,419	11,419	20.00
	<u>₩5,833,426</u>	<u>₩7,896,303</u>	<u>₩7,805,738</u>	<u>\$ 6,217,679</u>	<u>\$ 8,416,439</u>	<u>\$ 8,319,908</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(*2) The total ownership percentage combining the ownership which Kia Motors Corp. holds is more than 20% and the Company is considered to be able to exercise significant influence over the operating and financial policies.

Investment securities accounted for using the equity method as of December 31, 2006 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Motor America	₩ 1,227,466	₩ 1,267,449	₩ 1,076,088	\$ 1,308,320	\$ 1,350,937	\$ 1,146,971	100.00
Hyundai Motor Manufacturing Czech, Ltd.	48,034	50,098	50,098	51,198	53,398	53,398	100.00
Beijing-Hyundai Motor Company	232,410	380,199	371,464	247,719	405,243	395,933	50.00
Hyundai Motor India	244,017	522,508	503,831	260,091	556,926	537,019	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	7,825	-	97,330	8,340	-	70.00
Hyundai Translead	74,977	81,595	107,664	79,916	86,970	114,756	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	51,514	51,514	57,020	54,907	54,907	100.00
China Millennium Corporations	53,466	13,868	53,494	56,988	14,781	57,018	59.60
Hyundai Motor Japan Co. (*1)	42,292	(42,334)	-	45,078	(45,123)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(3,661)	-	39,097	(3,902)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	15,047	29,815	25,729	16,038	31,779	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	26,411	26,411	24,291	28,151	28,151	24.08
Hyundai Motor Europe GmbH	17,529	24,984	24,984	18,684	26,630	26,630	100.00
Hyundai Motor Group China Ltd.	15,371	14,552	14,266	16,384	15,511	15,206	50.00
Hyundai Motor Company Australia	12,382	41,049	42,183	13,198	43,753	44,962	100.00
WIA Automotive Engine (ShanDong) Company	10,298	7,205	10,298	10,976	7,680	10,976	22.00
Hyundai America Technical Center Inc.	9,635	17,338	17,338	10,270	18,480	18,480	100.00
Hyundai Motor Deutschland GmbH	6,761	19,741	19,217	7,206	21,041	20,483	30.00
Hyundai Motor Norway AS	5,636	6,309	5,754	6,007	6,725	6,133	100.00
Hyundai Motor Hungary	5,415	2,283	2,283	5,772	2,433	2,433	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	3,070	3,070	5,230	3,272	3,272	91.75
HMJ R&D Center Inc.	1,510	1,798	1,798	1,609	1,916	1,916	100.00
Kia Motors Corporation	923,957	1,972,554	2,024,647	984,819	2,102,488	2,158,012	38.67
Hyundai Capital Service Inc.	500,325	621,176	426,864	533,282	662,093	454,982	56.47
Hyundai Card Co., Ltd.	435,571	277,003	284,768	464,262	295,249	303,526	33.27
Hyundai Rotem (Formerly, ROTEM)	254,308	272,152	336,191	271,059	290,079	358,336	57.64
Hyundai HYSCO	200,768	259,460	250,199	213,993	276,551	266,680	26.13
Korea Aerospace Industries, Ltd.	159,800	79,717	79,508	170,326	84,968	84,745	22.23
Hyundai Powertech	120,000	151,265	142,523	127,904	161,229	151,911	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	77,123	123,437	126,363	82,203	131,568	16.77
Dymos Inc.	68,872	116,098	113,929	73,409	123,745	121,434	47.27
WIA Corporation	34,357	173,803	149,012	36,620	185,252	158,828	39.46
Korea Economy Daily	29,973	22,072	25,341	31,947	23,526	27,010	20.55
Eukor Car Carriers Inc. (*2)	29,347	77,203	68,165	31,280	82,288	72,655	12.00
Partecs Co.	22,400	21,988	21,988	23,876	23,436	23,436	56.00
KEFICO Corporation	20,911	115,739	113,412	22,288	123,363	120,883	50.00
Autoever Systems Corp.	5,947	13,773	13,773	6,339	14,680	14,680	29.90
Chasan Co., Ltd.	4,500	(944)	4,500	4,796	(1,006)	4,796	30.00
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	2,278	2,989	3,082	2,428	3,186	3,285	25.82
Iljin Bearing Co., Ltd.	826	14,823	14,823	881	15,800	15,799	20.00
Daesung Automotive Co., Ltd.	400	9,081	9,081	427	9,680	9,679	20.00
	<u>₩ 5,173,621</u>	<u>₩ 6,785,923</u>	<u>₩ 6,616,813</u>	<u>\$ 5,514,412</u>	<u>\$ 7,232,917</u>	<u>\$ 7,052,668</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(*2) The total ownership percentage combining the ownership which Kia Motors Corp. holds is more than 20% and the Company is considered to be able to exercise significant influence over the operating and financial policies.

(2) The changes in investment securities accounted for using the equity method in 2007 are as follows:

Affiliated company	Korean Won				End of year	Translation into
	Beginning of year	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)		U.S. Dollars (Note 2)
	(In millions)					End of year
						(In thousands)
Hyundai Motor America	₩ 1,076,088	₩ 27,735	₩ 13,260	₩ 77,270	₩ 1,194,353	\$ 1,273,026
Hyundai Motor Manufacturing Czech, Ltd	50,098	448,834	(23,076)	53,988	529,844	564,745
Beijing-Hyundai Motor Company	371,464	106,985	50,916	(13,169)	516,196	550,198
Hyundai Motor India	503,831	-	115,417	76,065	695,313	741,114
Hyundai Translead	107,664	5,646	14,139	1,040	128,489	136,953
Hyundai Motor Europe Technical Center GmbH	51,514	-	159	6,716	58,389	62,235
China Millennium Corporations	53,494	-	818	1,260	55,572	59,233
Hyundai Motor Poland Sp.zo.o.	29,815	-	6,585	3,753	40,153	42,798
Beijing Mobis Transmission Co., Ltd.	26,411	-	386	2,120	28,917	30,822
Hyundai Motor Europe GmbH	24,984	-	655	3,306	28,945	30,852
Hyundai Motor Group China Ltd.	14,266	-	8,370	1,876	24,512	26,127
Hyundai Motor Company Australia	42,183	-	(12,028)	5,146	35,301	37,626
WIA Automotive Engine (ShanDong) Company	10,298	-	(207)	758	10,849	11,564
Hyundai America Technical Center Inc.	17,338	-	2,733	187	20,258	21,592
Hyundai Motor Deutschland GmbH	19,217	-	(3,571)	2,262	17,908	19,088
Hyundai Motor Norway AS	5,754	-	(56)	1,174	6,872	7,325
Hyundai Motor Hungary	2,283	-	-	-	2,283	2,433
Beijing Jinxian Motor Safeguard Service Co., Ltd.	3,070	-	936	374	4,380	4,669
Hyundai Motor Commonwealth of Independent States	-	-	14,374	3,959	18,333	19,541
HMJ R&D Center Inc.	1,798	-	22	119	1,939	2,067
Kia Motors Corporation	2,024,647	-	(12,675)	(72,011)	1,939,961	2,067,748
Hyundai Capital Service Inc.	426,864	-	116,899	(24,406)	519,357	553,567
Hyundai Card Co., Ltd.	284,768	-	69,276	5,463	359,507	383,188
Hyundai Rotem (Formerly, ROTEM)	336,191	-	19,862	(14,726)	341,327	363,810
Hyundai HYSCO	250,199	-	5,384	(2,664)	252,919	269,579
Korea Aerospace Industries, Ltd.	79,508	-	956	8,857	89,321	95,205
Hyundai Powertech	142,523	15,000	(798)	(5,933)	150,792	160,725
Hyundai Autonet Co., Ltd.	123,437	-	2,652	(1,839)	124,250	132,434
Dymos Inc.	113,929	-	7,887	320	122,136	130,181
Hyundai Commercial Inc.	-	50,000	3,961	(18,852)	35,109	37,422
WIA Corporation	149,012	-	26,914	(4,212)	171,714	183,025
Korea Economy Daily	25,341	-	1,522	(52)	26,811	28,577
Eukor Car Carriers Inc.	68,165	-	(3,914)	(1,733)	62,518	66,636
Partecs Co.	21,988	-	(209)	-	21,779	23,214
KEFICO	113,412	-	13,465	(8,863)	118,014	125,788
Autoever Systems Corp.	13,773	-	3,440	24	17,237	18,372
Chasan Co., Ltd.	4,500	-	(4,500)	-	-	-
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	3,082	1,647	3,144	(516)	7,357	7,841
Iljin Bearing Co., Ltd.	14,823	-	1,511	(225)	16,109	17,169
Daesung Automotive Co., Ltd.	9,081	-	692	941	10,714	11,419
	<u>₩ 6,616,813</u>	<u>₩ 655,847</u>	<u>₩ 445,301</u>	<u>₩ 87,777</u>	<u>₩ 7,805,738</u>	<u>\$ 8,319,908</u>

(*) Other changes consist of the decrease by ₩125,500 million (US\$133,767 thousand) due to receipt of the dividends, decrease of retained earnings by ₩65,993 million (US\$70,340 thousand), increase of accumulated other comprehensive income by ₩275,311 million (US\$293,446 thousand) and increase by ₩3,959 million (US\$4,220 thousand) due to transfer from long-term investment securities to investment securities accounted for using the equity method.

The changes in investment securities accounted for using the equity method in 2006 are as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of year	End of year
	(In millions)				(In thousands)	
Hyundai Motor America	₩ 999,839	₩ 93,060	₩ 174,127	₩ (190,938)	₩ 1,076,088	\$ 1,146,971
Hyundai Motor Manufacturing Czech, Ltd	-	48,034	(1,217)	3,281	50,098	53,398
Beijing-Hyundai Motor Company	357,744	31,231	64,254	(81,765)	371,464	395,933
Hyundai Motor India	416,611	-	118,136	(30,916)	503,831	537,019
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	122,906	-	(70,751)	(52,155)	-	-
Hyundai Translead	96,769	-	17,065	(6,170)	107,664	114,756
Hyundai Motor Europe Technical Center GmbH	43,458	5,863	1,124	1,069	51,514	54,907
China Millennium Corporations	53,039	-	1,062	(607)	53,494	57,018
Hyundai Motor (UK) Ltd.	-	-	106	(106)	-	-
Hyundai Motor Poland Sp.zo.o.	28,118	-	1,227	470	29,815	31,779
Beijing Mobis Transmission Co., Ltd.	16,696	9,272	847	(404)	26,411	28,151
Hyundai Motor Europe GmbH	22,002	-	2,529	453	24,984	26,630
Hyundai Motor Group China Ltd.	14,068	-	944	(746)	14,266	15,206
Hyundai Motor Company Australia	26,305	-	17,775	(1,897)	42,183	44,962
WIA Automotive Engine (ShanDong) Company	-	10,298	-	-	10,298	10,976
Hyundai America Technical Center Inc.	16,375	-	2,375	(1,412)	17,338	18,480
Hyundai Motor Deutschland GmbH	11,045	-	10,461	(2,289)	19,217	20,483
Hyundai Motor Norway AS	-	-	864	4,890	5,754	6,133
Hyundai Motor Hungary	-	-	(2,347)	4,630	2,283	2,433
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	-	(939)	(213)	3,070	3,272
HMJ R&D Center Inc.	1,941	-	36	(179)	1,798	1,916
Kia Motors Corporation	2,053,260	-	6,774	(35,387)	2,024,647	2,158,012
Hyundai Capital Service Inc.	346,834	-	77,443	2,587	426,864	454,982
Hyundai Card Co., Ltd.	104,858	142,539	91,550	(54,179)	284,768	303,526
Hyundai Rotem (Formerly, ROTEM)	304,341	(30,952)	45,884	16,918	336,191	358,336
Hyundai HYSCO	246,740	-	8,037	(4,578)	250,199	266,680
Korea Aerospace Industries, Ltd.	82,075	30,000	(32,567)	-	79,508	84,745
Hyundai Powertech	139,089	-	3,164	270	142,523	151,911
Hyundai Autonet Co., Ltd.	117,970	-	5,473	(6)	123,437	131,568
Dymos Inc.	105,983	-	7,998	(52)	113,929	121,434
WIA Corporation	124,665	-	26,212	(1,865)	149,012	158,828
Korea Economy Daily	24,378	-	1,148	(185)	25,341	27,010
Eukor Car Carriers Inc.	63,989	-	4,176	-	68,165	72,655
Partecs Co.	22,400	-	(412)	-	21,988	23,436
KEFICO	109,487	-	12,651	(8,726)	113,412	120,883
Autoever Systems Corp.	8,998	4,697	2,615	(2,537)	13,773	14,680
Chasan Co., Ltd.	-	4,500	-	-	4,500	4,796
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	-	1,500	653	929	3,082	3,285
Iijin Bearing Co., Ltd.	14,128	-	921	(226)	14,823	15,799
Daesung Automotive Co., Ltd.	6,017	-	879	2,185	9,081	9,679
Haevichi Leisure Co., Ltd.	9,097	(9,142)	44	1	-	-
	<u>₩ 6,115,447</u>	<u>₩ 340,900</u>	<u>₩ 600,321</u>	<u>₩ (439,855)</u>	<u>₩ 6,616,813</u>	<u>\$ 7,052,668</u>

(*) Other changes consist of the decrease by ₩146,164 million (US\$155,792 thousand) due to receipt of the dividends, decrease of retained earnings by ₩17,413 million (US\$18,560 thousand), decrease of cumulative other comprehensive income by ₩288,107 million (US\$307,085 thousand) and increase by ₩11,829 million (US\$12,608 thousand) due to transfer from long-term investment securities to investment securities accounted for using the equity method.

Investment securities accounted for using the equity method as of December 31, 2007 and 2006 are valued based on the financial statements of the investees as of the same balance sheet date, respectively, which were neither audited nor reviewed by an external auditor.

(3) Condensed financial information of the affiliates as of and for the year ended December 31, 2007 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor America	₩7,361,888	₩6,096,667	₩8,512,965	₩ 10,250	\$ 7,846,822	\$ 6,498,259	\$ 9,073,721	\$ 10,925
Hyundai Motor Manufacturing Czech, Ltd	607,741	77,897	-	(22,396)	647,773	83,028	-	(23,871)
Beijing-Hyundai Motor Company	1,757,047	711,713	2,867,597	111,036	1,872,785	758,594	3,056,488	118,350
Hyundai Motor India	2,051,273	1,327,236	2,131,895	126,838	2,186,392	1,414,662	2,272,325	135,193
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	517,589	527,318	1,198,167	(20,809)	551,683	562,053	1,277,091	(22,180)
Hyundai Translead	234,330	129,981	339,373	16,050	249,766	138,543	361,728	17,107
Hyundai Motor Europe Technical Center GmbH	138,392	80,003	67,415	206	147,508	85,273	71,856	220
China Millennium Corporations	88,826	58,377	17,152	5,066	94,677	62,222	18,282	5,400
Hyundai Motor Japan Co.	11,102	63,100	17,334	(6,515)	11,833	67,256	18,476	(6,944)
Hyundai Motor (UK) Ltd.	281,036	290,962	591,068	(5,847)	299,548	310,128	630,002	(6,232)
Hyundai Motor Poland Sp.zo.o.	396,645	370,199	743,424	8,035	422,772	394,584	792,394	8,564
Beijing Mobis Transmission Co., Ltd.	169,515	49,423	122,679	1,603	180,681	52,679	130,760	1,709
Hyundai Motor Europe GmbH	606,138	577,193	2,657,371	608	646,065	615,213	2,832,414	648
Hyundai Motor Group China Ltd.	212,003	162,979	845,660	16,740	225,968	173,715	901,364	17,843
Hyundai Motor Company Australia	227,870	178,017	752,410	2,529	242,880	189,743	801,972	2,696
WIA Automotive Engine (ShanDong)Company	90,626	41,312	59,005	(939)	96,596	44,033	62,892	(1,001)
Hyundai America Technical Center Inc.	41,300	21,042	82,408	2,234	44,020	22,428	87,836	2,381
Hyundai Motor Deutschland GmbH	157,410	96,070	769,586	(9,825)	167,779	102,398	820,279	(10,472)
Hyundai Motor Norway AS	36,308	27,890	94,539	1,074	38,700	29,727	100,766	1,145
Hyundai Motor Hungary	3,866	1,674	13,863	(288)	4,121	1,784	14,776	(307)
Beijing Jinxian Motor Safeguard Service Co., Ltd.	13,235	8,461	44,816	930	14,107	9,018	47,768	991
Hyundai Motor Commonwealth of Independent States	241,017	217,281	748,347	17,967	256,893	231,593	797,641	19,151
HMJ R&D Center Inc.	6,022	4,082	12,225	71	6,419	4,351	13,030	76
Kia Motors Corporation	12,853,800	7,778,400	15,948,542	13,500	13,700,490	8,290,770	16,999,085	14,389
Hyundai Capital Service Inc.	13,719,896	12,320,621	2,244,889	342,576	14,623,637	13,132,190	2,392,762	365,142
Hyundai Card Co., Ltd.	4,621,523	3,516,917	1,121,407	213,178	4,925,946	3,748,579	1,195,275	227,220
Hyundai Rotem (Formerly, ROTEM)	1,584,098	1,072,234	1,732,100	41,076	1,688,444	1,142,863	1,846,195	43,782
Hyundai HYSCO	2,682,612	1,681,850	3,731,888	17,901	2,859,318	1,792,635	3,977,711	19,080
Korea Aerospace Industries, Ltd.	1,056,220	653,500	800,200	4,200	1,125,794	696,547	852,910	4,477
Hyundai Powertech	1,168,996	747,743	867,020	1,471	1,245,999	796,997	924,131	1,568
Hyundai Autonet Co., Ltd.	724,962	245,475	889,036	36,108	772,716	261,645	947,598	38,486
Dymos Inc.	728,650	465,870	1,101,205	16,207	776,647	496,557	1,173,742	17,275
Hyundai Commercial Inc.	860,607	790,389	57,793	7,921	917,296	842,453	61,600	8,443
WIA Corporation	1,896,812	1,403,011	3,365,700	54,810	2,021,757	1,495,428	3,587,401	58,420
Korea Economy Daily	194,913	79,000	120,400	8,800	207,752	84,204	128,331	9,380
Eukor Car Carriers Inc.	1,579,806	988,233	1,591,213	(21,657)	1,683,869	1,053,329	1,696,027	(23,084)
Partecs Co.	108,201	69,311	16,591	(871)	115,328	73,877	17,684	(928)
KEFICO Corporation	391,973	151,598	513,998	25,843	417,793	161,584	547,855	27,545
Autoever Systems Corp.	169,766	112,116	420,069	11,370	180,949	119,501	447,739	12,119
Chasan Co., Ltd.	57,249	81,788	-	(19,820)	61,020	87,175	-	(21,126)
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	30,661	7,831	43,079	10,942	32,681	8,347	45,917	11,663
Ijin Bearing Co., Ltd.	131,275	50,732	182,717	7,405	139,922	54,074	194,753	7,893
Daesung Automotive Co., Ltd.	70,705	17,134	68,416	2,894	75,362	18,263	72,923	3,085

(4) Significant unrealized profits (losses) that occurred in transactions with investees in 2007 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of year	Increase	Decrease	End of year	U.S. Dollars (Note 2)
	(In millions)				(In thousands)
Inventories	₩ 110,485	₩ 138,361	₩ (110,485)	₩ 138,361	\$ 147,475
Property	202,819	152,674	(69,358)	286,135	304,983
Accrued warranties	(52,035)	(51,463)	52,035	(51,463)	(54,853)
	<u>₩ 261,269</u>	<u>₩ 239,572</u>	<u>₩ (127,808)</u>	<u>₩ 373,033</u>	<u>\$ 397,605</u>

Significant unrealized profits (losses) that occurred in transactions with investees in 2006 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of year	Increase	Decrease	End of year	U.S. Dollars (Note 2)
	(In millions)				(In thousands)
Inventories	₩ 202,968	₩ 110,485	₩ (202,968)	₩ 110,485	\$ 117,763
Property	100,908	138,418	(36,507)	202,819	216,179
Accrued warranties	(37,354)	(52,035)	37,354	(52,035)	(55,463)
	<u>₩ 266,522</u>	<u>₩ 196,868</u>	<u>₩ (202,121)</u>	<u>₩ 261,269</u>	<u>\$ 278,479</u>

(5) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments decreased the gain on equity method valuation included in current operations by ₩368 million (US\$392 thousand) in 2007 and increased the gain on equity method valuation included in current operations by ₩5,228 million (US\$5,572 thousand) in 2006.

(6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of December 31, 2007 is ₩254,633 million (US\$271,406 thousand) and ₩46,768 million (US\$49,849 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of December 31, 2006 is ₩287,583 million (US\$306,526 thousand) and ₩50,207 million (US\$53,514 thousand), respectively.

(7) The market price of listed equity securities as of December 31, 2007 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
	(In millions)			(In thousands)
Kia Motors Corporation	₩ 10,100	₩ 134,285,491	₩ 1,356,283	\$ 1,445,622
Hyundai HYSCO	10,050	20,954,188	210,590	224,462
Hyundai Autonet Co., Ltd.	₩ 6,380	₩ 38,870,000	₩ 247,991	\$ 264,326

(8) The cumulative losses not recognized by the Company due to the suspension of the valuation of equity securities using the equity method as of December 31, 2007 and 2006 are ₩107,119 million (US\$114,175 thousand) and ₩69,663 million (US\$74,252 thousand), respectively.

8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,867,824	₩ 3,683,446	\$ 4,122,601	\$ 3,926,078
Machinery and equipment	5,997,620	5,355,368	6,392,688	5,708,130
Vehicles	82,109	76,282	87,518	81,307
Dies, molds and tools	2,853,670	2,628,159	3,041,644	2,801,278
Other equipment	713,637	659,485	760,644	702,926
	13,514,860	12,402,740	14,405,095	13,219,719
Less: accumulated depreciation	6,338,929	5,680,264	6,756,480	6,054,428
	7,175,931	6,722,476	7,648,615	7,165,291
Land	1,960,537	1,948,203	2,089,679	2,076,533
Construction in progress	584,597	794,795	623,105	847,149
	<u>₩ 9,721,065</u>	<u>₩ 9,465,474</u>	<u>\$ 10,361,399</u>	<u>\$ 10,088,973</u>

The changes in property, plant and equipment in 2007 are as follows:

	Korean Won						End of year	Translation into U. S. Dollars (Note 2) End of year (In thousands)
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)		
	(In millions)							
Land	₩ 1,948,203	₩ -	₩ 12,515	₩ (181)	₩ -	₩ -	₩ 1,960,537	\$ 2,089,679
Buildings and structures	2,876,163	-	216,046	(21,627)	(116,748)	-	2,953,834	3,148,405
Machinery and equipment	2,949,042	-	742,556	(31,046)	(416,537)	-	3,244,015	3,457,701
Vehicles	33,115	-	11,346	(786)	(8,809)	-	34,866	37,163
Dies, molds and tools	644,042	-	259,236	(1,453)	(193,731)	-	708,094	754,737
Other equipment	220,114	-	93,934	(1,582)	(77,344)	-	235,122	250,609
Construction in progress	794,795	978,014	(1,335,633)	(5,395)	-	152,816	584,597	623,105
Total	<u>₩ 9,465,474</u>	<u>₩ 978,014</u>	<u>₩ -</u>	<u>₩ (62,070)</u>	<u>₩ (813,169)</u>	<u>₩ 152,816</u>	<u>₩ 9,721,065</u>	<u>\$ 10,361,399</u>

(*) Other changes consist of decrease in transfer of ₩6,540 million (US\$6,971 thousand) from construction in progress to industrial property rights and increase in transfer of ₩159,356 million (US\$169,853 thousand) from inventories to construction in progress.

The changes in property, plant and equipment in 2006 are as follows:

	Korean Won						End of year	Translation into U. S. Dollars (Note 2) End of year (In thousands)
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)		
	(In millions)							
Land	₩ 1,899,548	₩ -	₩ 49,364	₩ (709)	₩ -	₩ -	₩ 1,948,203	\$ 2,076,533
Buildings and structures	2,555,048	-	437,903	(7,972)	(108,816)	-	2,876,163	3,065,618
Machinery and equipment	2,620,856	-	760,246	(51,991)	(380,069)	-	2,949,042	3,143,298
Vehicles	35,003	-	8,779	(1,585)	(9,082)	-	33,115	35,296
Dies, molds and tools	583,581	-	275,622	(5,225)	(209,936)	-	644,042	686,466
Other equipment	237,020	-	67,962	(1,484)	(83,384)	-	220,114	234,613
Construction in progress	1,014,506	1,221,680	(1,599,876)	(2,583)	-	161,068	794,795	847,149
Total	<u>₩ 8,945,562</u>	<u>₩ 1,221,680</u>	<u>₩ -</u>	<u>₩ (71,549)</u>	<u>₩ (791,287)</u>	<u>₩ 161,068</u>	<u>₩ 9,465,474</u>	<u>\$ 10,088,973</u>

(*) Other changes consist of decrease in transfer of ₩9,252 million (US\$9,861 thousand) from construction in progress to industrial property rights and increase in transfer of ₩170,320 million (US\$181,539 thousand) from inventories to construction in progress.

As of December 31, 2007, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩864,790 million (US\$921,754 thousand) (see Note 13).

As of December 31, 2007, the published value of the Company-owned land (12,946 thousand square meters) totals ₩2,452,666 million (US\$2,614,225 thousand) in terms of land prices officially announced by the Korean government.

The Company has entered into financing lease agreements for certain machinery and equipment with the book value of ₩3,890 million (US\$4,146 thousand) as of December 31, 2007. No annual payment on the lease agreements remains as of December 31, 2007.

9. INSURANCE:

As of December 31, 2007, property, plant and equipment are insured for ₩6,637,208 million (US\$7,074,406 thousand). In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$155,000 thousand and ₩1,000 million (US\$1,066 thousand) with Hyundai Fire & Marine Insurance Co., general insurance for vehicles and workers' compensation and casualty insurance for employees.

10. INTANGIBLES:

Intangibles as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won				Translation into U. S. Dollars (Note 2)		
	2007		2006		2007	2006	
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Book value	Book value	Book value
	(In millions)			(In thousands)			
Industrial property rights	₩ 55,048	₩ 38,409	₩ -	₩ 16,639	₩ 17,580	\$ 17,735	\$ 18,738
Development costs	2,842,355	1,465,600	20,793	1,355,962	1,091,333	1,445,280	1,163,220
Other	37,704	29,181	-	8,523	9,684	9,085	10,322
	<u>₩2,935,107</u>	<u>₩ 1,533,190</u>	<u>₩ 20,793</u>	<u>₩1,381,124</u>	<u>₩ 1,118,597</u>	<u>\$ 1,472,100</u>	<u>\$ 1,192,280</u>

The changes in intangibles in 2007 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)
	Industrial property rights	Development costs	Other	Total	Total
	(In millions)				(In thousands)
Beginning of year	₩ 17,580	₩ 1,091,333	₩ 9,684	₩ 1,118,597	\$ 1,192,280
Addition: Expenditures	6,540	609,057	171	615,768	656,329
Deduction: Amortization	(7,481)	(344,428)	(1,332)	(353,241)	(376,509)
End of year	<u>₩ 16,639</u>	<u>₩ 1,355,962</u>	<u>₩ 8,523</u>	<u>₩ 1,381,124</u>	<u>\$ 1,472,100</u>

The changes in intangibles in 2006 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)
	Industrial property rights	Development costs	Other	Total	Total
	(In millions)				(In thousands)
Beginning of year	₩ 15,573	₩ 893,309	₩ 11,513	₩ 920,395	\$ 981,022
Addition: Expenditures	9,252	514,521	-	523,773	558,275
Deduction: Amortization	(7,245)	(295,704)	(1,829)	(304,778)	(324,854)
Impairment loss	-	(20,793)	-	(20,793)	(22,163)
End of year	<u>₩ 17,580</u>	<u>₩ 1,091,333</u>	<u>₩ 9,684</u>	<u>₩ 1,118,597</u>	<u>\$ 1,192,280</u>

Research and development expenditure in 2007 and 2006 are as follows:

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Development costs	₩ 609,057	₩ 514,521	\$ 649,176	\$ 548,413
Ordinary development (manufacturing cost)	93,593	119,103	99,758	126,948
Research costs (SG&A)	361,560	413,576	385,376	440,819
	<u>₩ 1,064,210</u>	<u>₩ 1,047,200</u>	<u>\$ 1,134,310</u>	<u>\$ 1,116,180</u>

11. OTHER ASSETS:

Other assets as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Long-term financial instruments (Note 3)	₩ 37	₩ 40	\$ 39	\$ 43
Long-term notes and accounts receivable, less unamortized present value discount of ₩2,686 million in 2007 and ₩1,307 million in 2006	8,559	9,210	9,123	9,817
Long-term other accounts receivable, less unamortized present value discount of ₩15 million in 2007 and ₩448 million in 2006 (Note 2)	79,709	82,804	84,959	88,258
Long-term loans	5,881	13,520	6,268	14,411
Lease and rental deposits	190,277	184,829	202,811	197,004
Long-term deposits	104,913	101,050	111,825	107,705
	<u>₩ 389,376</u>	<u>₩ 391,453</u>	<u>\$ 415,025</u>	<u>\$ 417,238</u>

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2007 and 2006 amount to ₩431,209 million (US\$459,613 thousand) and ₩474,165 million (US\$505,399 thousand), respectively, and consist primarily of overdrafts and banker's usance with annual interest rates ranging from Libor + 0.15 percent to 7.10 percent.

13. LONG-TERM DEBT AND DEBENTURES:

Long-term debt as of December 31, 2007 and 2006 consist of the following:

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		(In millions)		(In thousands)	
Debentures	3.75 ~ 5.52	₩ 1,400,000	₩ 1,214,132	\$ 1,492,219	\$ 1,294,108
Local currency loans:					
General loans	3.00 ~ 5.50	₩ 16,802	₩ 15,991	\$ 17,909	\$ 17,044
		1,416,802	1,230,123	1,510,128	1,311,152
Less: current maturities		201,461	116,233	214,731	123,889
		<u>₩ 1,215,341</u>	<u>₩ 1,113,890</u>	<u>\$ 1,295,397</u>	<u>\$ 1,187,263</u>

Debentures as of December 31, 2007 and 2006 consist of the following:

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			2007	2006	2007	2006
			(In thousands)		(In thousands)	
Non-guaranteed debentures	Nov 10, 2008 ~ Apr 12, 2012	3.75 ~ 5.52	₩ 1,400,000	₩ 1,100,000	\$ 1,492,219	\$ 1,172,458
Overseas debentures	Jul 15, 2007	7.60	-	114,132	-	121,650
			1,400,000	1,214,132	1,492,219	1,294,108
Less: discount on debentures			2,455	2,321	2,617	2,474
			<u>₩ 1,397,545</u>	<u>₩ 1,211,811</u>	<u>\$ 1,489,602</u>	<u>\$ 1,291,634</u>

The maturity of long-term debt and debentures as of December 31, 2007 is as follows:

Description	Korean Won			Translation into U.S. Dollars (Note 2)	
	Debentures	Local currency loans	Total	Total	
			(In millions)		(In thousands)
2009	₩ 300,000	₩ 742	₩ 300,742	\$ 320,552	
2010	300,000	962	300,962	320,787	
2011	300,000	1,395	301,395	321,248	
2012 Thereafter	300,000	12,242	312,242	332,810	
	1,200,000	15,341	1,215,341	1,295,397	
Less: discount on debentures	2,455	-	2,455	2,617	
	<u>₩ 1,197,545</u>	<u>₩ 15,341</u>	<u>₩ 1,212,886</u>	<u>\$ 1,292,780</u>	

14. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of December 31, 2007:

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Capital Co., Ltd	₩ 317,908	\$ 338,849
Hyundai Merchant Marine	180,048	191,908
Hyundai Rotem (Formerly, ROTEM)	186,100	198,359
Hyundai Motor America	187,640	200,000
Hyundai Motor Manufacturing Alabama LLC	633,285	675,000
Hyundai Auto Canada Captive Insurance Incorporation	16,057	17,115
Hyundai Motor Finance Company	468,162	499,000
Hyundai Motor India	187,640	200,000
Hyundai Motor Europe GmbH	23,481	25,028
Hyundai Motor Europe Technical Center GmbH	69,063	73,611
Hyundai Motor UK Limited.	32,797	34,957
Hyundai Motor Japan Co.	41,667	44,412
HMJ R&D Center Inc.	3,167	3,376
Hyundai Translead	79,747	85,000
Smart Alabama LLC	107,893	115,000
Hyundai America Technical Center Inc.	15,011	16,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,815	3,000
Beijing Hines Millennium Real Estate Development Co., Ltd.	13,229	14,100
Equus Cayman Finance Ltd.	375,280	400,000
UTS	225,168	240,000
	₩ 3,166,158	\$ 3,374,715

- (2) As of December 31, 2007, 23,993,466 shares of Kia Motors Corporation, 2,640,000 shares of Eukor Car Carriers Inc., 12,000 shares of Eukor Car Carriers Singapore Pte Ltd. and 150 investment certificates of Machinery Financial Cooperative (Formerly, Machinery Insurance Cooperative) in long-term investment securities and investment securities accounted for using the equity method, 2 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,797 thousand) and property, plant and equipment (see Note 8) are pledged as collateral for short-term borrowings, long-term debt and other payables.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩31,583 million (US\$33,663 thousand) to the banks concerned as of December 31, 2007. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) The Company signed lease financial agreements with Hyundai Commercial and Hyundai Capital to promote sales of buses. According to the agreements, the Company has a joint responsibility to the guarantee limit of the lease user's liability stipulated in the agreement. As of December 31, 2007, the amount of guarantee is ₩86,457 million (US\$ 92,152 thousand). In addition, the Company is obliged to pay the lease fee and dispose of leased assets within certain period in case the lease users are bankrupt or long overdue.
- (5) As of December 31, 2007, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,476,345 million (US\$1,573,593 thousand), including accounting receivable from export sales.

- (6) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 9) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of December 31, 2007 will not have any material effect on its financial position.
- (7) The Company made an agreement with its European sales subsidiaries and agents for them to be responsible for projected costs for dismantling and recycling vehicles sold in corresponding countries to comply with European Parliament directive regarding End-of-Life vehicles (ELV).
- (8) In 2006, the Company sold 10,658,367 shares of Hyundai Rotem (Formerly, ROTEM) to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to put option to sell those shares back to the Company in certain events (as defined) in accordance with the agreement.

15. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities in 2007 and 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Beginning of year	₩ 3,084,907	₩ 3,168,283	\$ 3,288,112	\$ 3,376,980
Accrual	320,322	261,436	341,422	278,657
Use	(349,810)	(344,812)	(372,852)	(367,525)
End of year	<u>₩ 3,055,419</u>	<u>₩ 3,084,907</u>	<u>\$ 3,256,682</u>	<u>\$ 3,288,112</u>

16. CAPITAL STOCK:

Capital stock as of December 31, 2007 and 2006 consists of the following:

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,873,808 shares	₩ 5,000	₩ 1,155,969	\$ 1,232,114
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	352,815
				<u>₩ 1,486,980</u>	<u>\$ 1,584,929</u>

Capital stock as of December 31, 2006 consists of the following:

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,466,255 shares	₩ 5,000	₩ 1,153,931	\$ 1,229,941
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	352,815
				<u>₩ 1,484,942</u>	<u>\$ 1,582,756</u>

In 2007, a part of the stock options granted to the directors were exercised at an exercise price of ₩26,800 (US\$28.57) and new common stock of 407,553 shares were issued. This issue of new common stock resulted in the increase in paid-in capital in excess of par value by ₩13,552 million (US\$14,445 thousand).

The Company completed stock retirement of 1,320,000 common shares of treasury stock on May 4, 2004, which had been acquired for the purpose of such retirement based on the decision of the Board of Directors on March 12, 2004. Also, the Company acquired treasury stock after cancellation of Trust Cash Fund on March 2, 2001, and in accordance with the decision of the Board of Directors, on March 5, 2001, the Company retired 10,000,000 common shares in treasury and 1,000,000 second preferred shares in treasury, which had additional dividend rate of 2 percent to the rate of common stock, using the retained earnings. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of December 31, 2007, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

17. CAPITAL SURPLUS:

Capital surplus as of December 31, 2007 and 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,307,943	₩ 3,294,391	\$ 3,525,840	\$ 3,511,395
Asset revaluation surplus	1,852,871	1,852,871	1,974,921	1,974,921
Other	279,101	261,743	297,486	278,985
	<u>₩ 5,439,915</u>	<u>₩ 5,409,005</u>	<u>\$ 5,798,247</u>	<u>\$ 5,765,301</u>

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$2,715,217 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$17,077 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$633,420 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$71,996 thousand) and adjustment of ₩16,702 million (US\$17,802 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. CAPITAL ADJUSTMENTS:

Capital adjustments as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Treasury stock	₩ (723,524)	₩ (716,316)	\$ (771,183)	\$ (763,500)
Stock option cost	4,669	9,337	4,976	9,952
	<u>₩ (718,855)</u>	<u>₩ (706,979)</u>	<u>\$ 766,207</u>	<u>\$ (753,548)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,071,741 common shares and 2,950,960 preferred shares with a carrying value of ₩723,524 million (US\$ 771,183 thousand) as of December 31, 2007, 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩716,316 million (US\$ 763,500 thousand) as of December 31, 2006, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. If all stock options as of December 31, 2007 are exercised, 407,671 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Accumulated other comprehensive income (loss) as of December 31, 2007 and 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Gain on valuation of available-for-sale securities, net	₩ 770,114	₩ 195,214	\$ 820,842	208,073
Loss on valuation of investment securities accounted for using the equity method, net	(201,338)	(436,369)	(214,600)	(465,113)
Gain (Loss) on valuation of derivatives, net	(20,682)	14,550	(22,045)	15,508
	<u>₩ 548,094</u>	<u>₩ (226,605)</u>	<u>\$ 584,197</u>	<u>(241,532)</u>

20. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income in 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Net income	₩ 1,682,419	₩ 1,526,063	\$ 1,793,241	\$ 1,626,586
Other comprehensive income (loss):				
Gain on valuation of available-for-sale securities, net of deferred tax effect ₩218,066 million and ₩28,416 million in 2007 and 2006, respectively.	574,900	74,913	612,769	79,848
Gain (loss) on valuation of investment securities accounted for using the equity method, net of deferred tax effect ₩40,281 million and ₩11,840 million in 2007 and 2006, respectively.	235,030	(267,500)	250,512	(285,120)
Loss on valuation of derivatives, net of deferred tax effect ₩13,365 million and ₩3,718 million in 2007 and 2006, respectively.	(35,231)	(9,802)	(37,552)	(10,449)
Comprehensive income	<u>₩ 2,457,118</u>	<u>₩ 1,323,674</u>	<u>\$ 2,618,970</u>	<u>\$ 1,410,865</u>

21. RETAINED EARNINGS:

Retained earnings as of December 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 250,970	₩ 223,370	\$ 267,502	\$ 238,084
Reserve for business rationalization	545,800	545,800	581,752	581,752
Reserve for improvement of financial structure	98,947	98,947	105,465	105,465
Reserve for overseas market development	48,800	48,800	52,014	52,014
Reserve for technology development	8,868,100	7,628,100	9,452,249	8,130,569
	9,812,617	8,545,017	10,458,982	9,107,884
Before appropriations	1,633,880	1,545,448	1,741,505	1,647,248
	<u>₩ 11,446,497</u>	<u>₩ 10,090,465</u>	<u>\$ 12,200,487</u>	<u>\$ 10,755,132</u>

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. The Regulation on Issues and Disclosures of the Securities for listed companies requires the Company to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50 percent of the net gain on disposal of property, plant and equipment and 10 percent of net income for each year until the Company's net worth equals 30 percent of total assets. These reserves are not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.

The reserves for business rationalization, overseas market development and technological development are voluntary reserves, which are available for the payment of dividends.

Appropriations of retained earnings for the year ended December 31, 2007 were approved at the shareholders' meeting on March 14, 2008 and the appropriations including the cash dividends of ₩275,997 million (US\$294,177 thousand) are reflected in retained earnings on that date.

22. DIVIDENDS:

The computation of the proposed dividends for 2007 is as follows:

	Number of shares	Dividend rate	Korean Won (in millions)	Translation into U.S. Dollars (Note 2) (in thousands)
Common shares, net of treasury shares	208,802,067	20%	₩ 208,803	\$ 222,557
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	21%	26,919	28,692
Second preferred shares	36,613,865	22%	40,275	42,928
			<u>₩ 275,997</u>	<u>\$ 294,177</u>

The computation of the proposed dividends for 2006 is as follows:

	Number of shares	Dividend rate	Korean Won (in millions)	Translation into U.S. Dollars (Note 2) (in thousands)
Common shares, net of treasury shares	208,178,785	20%	₩ 208,179	\$ 221,892
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	21%	26,919	28,692
Second preferred shares	36,613,865	22%	40,275	42,928
			<u>₩ 275,373</u>	<u>\$ 293,512</u>

The payout ratios (dividends declared/net income) are 16.4% and 18.0% for the years ended December 31, 2007 and 2006, respectively.

23. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense in 2007 and 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Income tax currently payable	₩ 532,246	₩ 266,822	\$ 567,305	\$ 284,398
Changes in deferred income taxes due to:				
Temporary differences	208,943	142,220	222,706	151,588
Carry forward of unused tax credits	33,530	(32,193)	35,739	(34,313)
Items directly charged to equity	(235,111)	(17,029)	(250,598)	(18,151)
Income tax expense	<u>₩ 539,608</u>	<u>₩ 359,820</u>	<u>\$ 575,152</u>	<u>\$ 383,522</u>

In 2007 and 2006, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Income before tax	₩ 2,222,027	₩ 1,885,883	\$ 2,368,393	\$ 2,010,108
Addition	3,148,413	2,289,223	3,355,802	2,440,016
Deduction	(3,002,517)	(2,628,360)	(3,200,295)	(2,801,493)
Taxable income	<u>₩ 2,367,923</u>	<u>₩ 1,546,746</u>	<u>\$ 2,523,900</u>	<u>\$ 1,648,631</u>

The components of deferred tax assets (liabilities) as of December 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (602,880)	\$ -	\$ (642,592)
Accrued warranties	239,456	600,784	255,229	640,358
Long-term investment securities	-	(284,443)	-	(303,179)
Reserve for research and manpower development	(13,750)	(82,500)	(14,656)	(87,934)
Depreciation	(22,976)	(77,266)	(24,489)	(82,356)
Development cost	53	-	56	-
Derivative assets (liabilities)	(209)	34,586	(223)	36,864
Accrued income	(17,566)	-	(18,723)	-
Carry forward of unused tax credits	-	-	-	-
Other	95	26,350	102	28,085
	<u>₩ 185,103</u>	<u>₩ (385,369)</u>	<u>\$ 197,296</u>	<u>\$ (410,754)</u>

The components of deferred tax assets (liabilities) as of December 31, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (492,379)	\$ -	\$ (524,812)
Accrued warranties	206,943	641,407	220,575	683,657
Long-term investment securities	-	(60,427)	-	(64,407)
Reserve for research and manpower development	(52,250)	(96,250)	(55,692)	(102,590)
Depreciation	24	(88,890)	26	(94,745)
Development cost	(1,655)	-	(1,764)	-
Derivative assets (liabilities)	(6,805)	(37,084)	(7,253)	(39,527)
Accrued income	(19,035)	-	(20,289)	-
Carry over tax deduction	33,530	-	35,739	-
Other	674	14,404	717	15,352
	<u>₩ 161,426</u>	<u>₩ (119,219)</u>	<u>\$ 172,059</u>	<u>\$ (127,072)</u>

The components of items charged to equity as of December 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax charged or credited to:				
Treasury stock	₩ (18,574)	₩ (5,108)	\$ (19,797)	\$ (5,444)
Deferred tax charged or credited to:				
Retained earnings	54,468	14,979	58,056	15,965
Accumulated comprehensive income	(890,842)	(244,982)	(949,523)	(261,119)
	<u>₩ (836,374)</u>	<u>₩ (230,003)</u>	<u>\$ (891,467)</u>	<u>\$ (245,154)</u>

The components of items charged to equity as of December 31, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax charged or credited to:				
Gain on disposal of treasury stock	₩ (5,112)	₩ (1,406)	\$ (5,449)	\$ (1,499)
Accumulated comprehensive income	(8,559)	(2,354)	(9,123)	(2,509)
	<u>₩ (13,671)</u>	<u>₩ (3,760)</u>	<u>\$ (14,572)</u>	<u>\$ (4,008)</u>
Deferred tax charged or credited to:				
Retained earnings	₩ (1,495)	₩ (411)	\$ (1,593)	\$ (438)
Accumulated comprehensive income	(46,754)	(12,858)	(49,834)	(13,705)
	<u>₩ (48,249)</u>	<u>₩ (13,269)</u>	<u>\$ (51,427)</u>	<u>\$ (14,143)</u>

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩81,924 million (US\$87,320 thousand) as of December 31, 2007 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred tax liabilities related to the gain on revaluation of land of ₩123,694 million (US\$131,842 thousand) as of December 31, 2007 were not recognized since the land may not be disposed of in the foreseeable future.

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩116,934 million (US\$124,637 thousand) and other of ₩1,833 million (US\$1,954 thousand) as of December 31, 2006 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred tax liabilities related to the gain on revaluation of land of ₩123,695 million (US\$131,843 thousand) as of December 31, 2006 were not recognized since the land may not be disposed of in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax. The effective tax rates are 24.3 percent and 19.1 percent for the year ended December 31, 2007 and 2006, respectively.

24. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of December 31, 2007 are as follows:

<u>Description</u>	<u>Subsidiaries</u>
Domestic subsidiaries	Kia Motors Corporation, Hyundai HYSCO, Hyundai Capital Service Inc., Hyundai Card Co., Ltd., KEFICO Corporation, Hyundai Powertech, WIA Corporation, Dymos Inc., Automobile Industrial Ace Corporation, Hyundai Rotem (Formerly, ROTEM), Haevichi Resort Co., Ltd., METIA Co., Ltd., Mseat Co., Ltd., Autoever Systems Corp., Hyundai Autonet Co., Ltd. Partecs Co., Ltd., M & Soft Co., Ltd.(Formerly, Mando Map & Soft Co., Ltd.), KIA Tigers Co., Ltd., NGVTEK.Com, Chasan Co., Ltd, Haevichi Country Club Co., Ltd and Hyundai Commercial Inc.
Foreign subsidiaries	Hyundai Motor India (HMI), Hyundai Motor America (HMA), Hyundai Motor Japan Co. (HMJ), Hyundai Motor Poland Sp.Zo.O (HMP), Hyundai Motor Europe GmbH (HME), Hyundai Motor Company Australia (HMCA), Hyundai Motor (UK) Ltd. (HMUK), Hyundai Motor Norway AS (HMN), Hyundai Motor Hungary (HMH), Hyundai Translead, Inc. (HT), Hyundai America Technical Center Inc.(HATCI), Hyundai Motor Europe Technical Center GmbH (HMETC), Beijing Mobis Transmission Co., Ltd.(BMT), Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.,(HAOSVT), Hyundai Motor Group (China) LTD. (HMGC), Beijing Jingxian Motor Safeguard Service Co., LTD. (BJMSS), Hyundai Motor Manufacturing Alabama, LLC, (HMMA), Hyundai Motor Finance Company (HMFC), Hyundai Auto Canada(HAC), Hyundai Auto Canada Captive Insurance Incorporation, (HACCII), Hyundai Motor Japan R&D Center Inc. (HMJ R&D), HACC Inc.(Formerly, Sevenwood Property Inc.), World Marketing Group LLC (WMG), Hyundai de Mexico, S.A. de C.V. (HYMEX), Stamped Metal America Research Technology Inc., (SMARTI), Stamped Metal America Research Technology LLC, China Millenium Corporations (CMEs), Beijing Hines, Millennium Real Estate Development, Hyundai Motor Manufacturing Czech, Ltd. (HMMC), Hyundai Information System North America LLC (HISNA), Hyundai Motor Commonwealth of Independent States(HMCIS), KIA Motors America Inc. (KMA), KIA Japan Co., Ltd. (KJC), KIA Motors Deutschland GmbH (KMD), KIA Canada, Inc.(KCI), KIA Motors Polska Sp.z.o.o.(KMP), KIA Motors Europe GmbH (KME), Kia Motors Slovakia S.r.o. (KMS), Kia Motors Slovensko S.r.o. (KMSS), KIA Motors Belgium N.V. (KMBI), KIA Motors Czech s.r.o. (KMCZ), KIA Motors (UK) Ltd. (KMUK), KIA Motors Austria GmbH (KMAS), KIA Motors Hungary Kft (KMH), Kia Motors Iberia (KMIB), Kia Motors Sweden AB (KMSW), Kia Automobiles France (KMF), Kia Motors Australia Pty Ltd (KMAU), Dong Feng Yueda Kia Motors, Yanji Kia Motors A/S and Repair, Hyundai Pipe of America, Inc., Hysco America Co. Inc., Hysco Slovakia S.r.o., Beijing Hyundai Hysco Steel Process Co, Ltd., Jiangsu Hyundai Hysco Steel Process Co., Ltd., Hysco Steel India, Ltd., Hyundai-Kia Machine America Corp. (HKMA), Hyundai-Kia Machine Europe GmbH (HKME), Wia Automotive Parts, WIA Automotive Engine (ShanDong) Company,

Description	Subsidiaries
Foreign subsidiaries	Rotem Equipments(Beijing) Co., Ltd., EUROTREM, Autoever Systems India Private Limited, Autoever Systems China Co., Ltd., Hyundai Autonet Pontus America, Hyundai Electronics (Tianjin) Co., Ltd., Rio Vista, Rotem USA Corporation, Kia Motors New Zealand LTD (KMNZ), Wia Trade Corporation, Kia Motors Manufacturing Georgia, Inc. (KMMG), Hyundai Motor India Engineering (HMIE), Autoever Systems Europe GmbH and HYSKO CZECH S.R.O.

(2) Significant transactions with subsidiaries and affiliates in 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 470,458	₩ 423,118	\$ 501,447	\$ 450,989
Hyundai Capital Service Inc.	518,221	20,519	552,357	21,871
WIA Corporation	189,842	263,619	202,347	280,984
Hyundai Powertech	27,010	207,525	28,789	221,195
Hyundai Rotem (Formerly, ROTEM)	2,134	44,198	2,275	47,109
Hyundai HYSKO	1,863	200,880	1,986	214,112
METIA Co., Ltd.	1,696	47,828	1,808	50,978
Hyundai Autonet Co., Ltd.	1,428	101,441	1,522	108,123
Dymos Inc.	586	512,616	625	546,382
Hyundai Card Co., Ltd.	364	71,875	388	76,609
Haevichi Resort	314	6,538	335	6,969
Autoever Systems Corp.	173	165,217	184	176,100
KEFICO Corporation	82	322,634	87	343,886
NGVTEK.Com	37	10,646	39	11,347
Carnes Co., Ltd.	2	6,322	2	6,738
Partecs Co., Ltd.	-	11,102	-	11,833
Automobile Industrial Ace Corp.	-	1,502	-	1,601
Hyundai Motor America	2,723,242	-	2,902,624	-
Hyundai Motor Europe GmbH	2,628,881	-	2,802,048	-
Hyundai Motor Poland Sp. Zo.O	795,821	-	848,242	-
Hyundai Motor India	616,646	-	657,265	-
HAOSVT	613,121	-	653,508	-
Hyundai Auto Canada	579,281	-	617,439	-
Hyundai Motor Company Australia	486,677	-	518,735	-
Hyundai Motor Group (China) Ltd.	426,257	-	454,335	-
Hyundai Motor Manufacturing Alabama, LLC	306,621	409	326,818	436
Hyundai Motor Norway AS	62,553	-	66,673	-
Hyundai Motor Japan Co.	6,287	-	6,701	-
Hyundai Motor Hungary	1,382	-	1,473	-
Beijing Mobis Transmission Co., Ltd.	1,097	-	1,169	-
Hyundai Motor Europe Technical Center GmbH	101	16,625	108	17,720
Hyundai America Technical Center Inc.	15	47,057	16	50,157
Others	1,617	2,315	1,724	2,467
Affiliates:				
Hyundai MOBIS	389,543	3,144,665	415,203	3,351,807
Hyundai Steel Company	3,268	1,822	3,483	1,942
Beijing-Hyundai Motor Company	418,959	41,806	446,556	44,560
EUKOR Car Carriers, Inc.	879	534,026	937	569,203
HMJ R&D Center Inc.	6	4,272	6	4,553
Iljin Bearing Co., Ltd.	1	33,597	1	35,810
Others	12	1,303	13	1,389

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds (In millions)	Purchases/expense	Sales/proceeds (In thousands)	Purchases/expense
Others(*):				
Glovis Co., Ltd.	₩ 89,077	₩ 429,515	\$ 94,945	\$ 457,808
Amco Corp.	2,005	229,432	2,137	244,545
IHL Corp.	70	87,214	75	92,959
Innocean Worldwide, Inc.	26	28,309	28	30,174
BNG Steel Co., Ltd.	14	70,106	15	74,724
Wisco Co., Ltd.	12	64,931	13	69,208
Others	119	59,551	125	63,474
	<u>₩ 11,367,800</u>	<u>₩ 7,214,535</u>	<u>\$ 12,116,606</u>	<u>\$ 7,689,762</u>

(*) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

Significant transactions with subsidiaries and affiliates in 2006 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds (In millions)	Purchases/expense	Sales/proceeds (In thousands)	Purchases/expense
Subsidiaries:				
Kia Motors Corporation	₩ 623,329	₩ 651,529	\$ 664,388	\$ 694,446
Hyundai Capital Service Inc.	464,701	46,701	495,311	49,777
WIA Corporation	145,943	253,820	155,556	270,539
Hyundai Powertech	18,317	150,669	19,524	160,594
Hyundai Rotem (Formerly, ROTEM)	570	43,549	608	46,418
Hyundai HYSCO	1,846	166,512	1,968	177,480
METIA Co., Ltd.	1,892	30,323	2,017	32,320
Hyundai Autonet Co., Ltd.	230	142,653	245	152,050
Dymos Inc.	3,873	453,224	4,128	483,078
Hyundai Card Co., Ltd.	227	70,844	242	75,511
Haevichi Resort	51	7,052	54	7,517
Autoever Systems Corp.	172	154,965	183	165,173
KEFICO Corporation	93	293,153	99	312,463
NGVTEK.Com	8	6,782	9	7,229
Carnes Co., Ltd.	-	6,568	-	7,001
Automobile Industrial Ace Corp.	250	1,210	266	1,290
Hyundai Motor America	3,484,589	-	3,714,122	-
Hyundai Motor Europe GmbH	2,645,950	-	2,820,241	-
Hyundai Motor Poland Sp. Zo.O	135,275	-	144,186	-
Hyundai Motor India	505,138	3,781	538,412	4,030
HAOSVT	634,628	-	676,431	-
Hyundai Motor Company Australia	460,393	-	490,719	-
Hyundai Motor Manufacturing Alabama, LLC	252,036	49	268,638	52
Hyundai Motor Norway AS	66,037	-	70,387	-
Hyundai Motor Japan Co.	7,123	-	7,592	-
Hyundai Motor Hungary	13,541	-	14,433	-
Hyundai Motor Europe Technical Center GmbH	7,268	28,465	7,747	30,340
Hyundai America Technical Center Inc.	27	60,602	29	64,594
Hyundai Motor Finance Company	1,378	-	1,469	-
Others	580	409	618	436

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Affiliates:				
Hyundai MOBIS	₩ 467,897	₩ 2,703,705	\$ 498,718	\$ 2,881,800
Hyundai Steel Company	1,683	12,039	1,794	12,832
Beijing-Hyundai Motor Company	566,300	53,998	603,603	57,555
EUKOR Car Carriers, Inc.	1,505	457,403	1,604	487,533
HMJ R&D Center Inc.	7	8,065	7	8,596
Iljin Bearing Co., Ltd.	12	33,898	13	36,131
Others	63	1,473	67	1,570
Others(*):				
Glovis Co., Ltd.	24,522	347,910	26,137	370,827
Amco Corp.	352	348,064	375	370,991
IHL Corp.	1,868	86,680	1,991	92,390
Innocean Worldwide, Inc.	130	31,361	139	33,427
BNG Steel Co., Ltd.	135	65,498	144	69,812
Wisco Co., Ltd.	426	35,214	454	37,534
Others	10,381	264,375	11,064	281,788
	<u>₩ 10,550,746</u>	<u>₩ 7,022,543</u>	<u>\$ 11,245,732</u>	<u>\$ 7,485,124</u>

(*) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(3) Significant outstanding balances as of December 31, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 175,386	₩ 162,781	\$ 186,939	\$ 173,504
Hyundai Capital Service Inc.	107,882	6,786	114,988	7,233
WIA Corporation	24,852	36,219	26,489	38,605
Hyundai Powertech	18,465	59,396	19,681	63,308
Hyundai Rotem (Formerly, ROTEM)	3	28,815	3	30,713
Hyundai HYSCO	2,830	48,039	3,016	51,203
METIA Co., Ltd.	114	8,611	122	9,178
Hyundai Autonet Co., Ltd.	140	21,560	149	22,980
Dymos Inc.	4,487	86,668	4,783	92,377
Hyundai Card Co., Ltd.	36,406	34,607	38,804	36,887
Haevichi Resort	9	1,118	10	1,192
Autoever Systems Corp.	21	64,446	22	68,691
KEFICO Corporation	905	39,854	965	42,479
NGVTEK.Com	232	3,125	247	3,331
Partecs Co., Ltd.	45	9,370	48	9,987
Hyundai Motor America	9,240	2,674	9,849	2,850
Hyundai Motor Europe GmbH	28,630	3,608	30,516	3,846
Hyundai Motor Poland Sp. Zo.O	5,435	1,143	5,793	1,218
Hyundai Motor India	9,127	241	9,728	257
HAOSVT	3,038	112	3,238	119
Hyundai Auto Canada	1,766	11	1,882	12
Hyundai Motor Company Australia	20,695	137	22,058	146
Hyundai Motor Group (China) LTD.	4,019	194	4,284	207
Hyundai Motor Manufacturing Alabama, LLC	15,395	671	16,409	715
Beijing Mobis Transmission Co., Ltd.	5,781	-	6,162	-
Hyundai Motor Europe Technical Center GmbH	186	35,596	198	37,941

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai America Technical Center Inc.	₩ 39	₩ 5,626	\$ 42	\$ 5,997
Others	1,244	2,674	1,326	2,850
Affiliates:				
Hyundai MOBIS	126,432	548,361	134,760	584,482
Hyundai Steel Company	482	22,399	514	23,874
Beijing-Hyundai Motor Company	17,070	274	18,194	292
EUKOR Car Carriers, Inc.	9	40,482	10	43,149
HMJ R&D Center Inc.	2	8,550	2	9,113
Others	34	573	36	611
Others(*):				
Glovis Co., Ltd.	2,494	51,675	2,658	55,079
Amco Corp.	320	66,040	341	70,390
IHL Corp.	61	15,269	65	16,275
Innocean Worldwide, Inc.	37	44,572	39	47,508
BNG Steel Co., Ltd.	9	7,669	10	8,174
Wisco Co., Ltd.	591	11,109	631	11,840
	<u>₩ 623,913</u>	<u>₩ 1,481,055</u>	<u>\$ 665,011</u>	<u>\$ 1,578,613</u>

(*) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

Significant outstanding balances as of December 31, 2006 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 165,720	₩ 133,366	\$ 176,636	\$ 142,151
Hyundai Capital Service Inc.	82,555	6,582	87,993	7,016
WIA Corporation	32,700	80,258	34,854	85,545
Hyundai Powertech	2,950	33,996	3,144	36,235
Hyundai Rotem (Formerly, ROTEM)	20	35,215	21	37,535
Hyundai HYSCO	515	48,877	549	52,097
METIA Co., Ltd.	90	9,558	96	10,188
Hyundai Autonet Co., Ltd.	261	27,389	278	29,193
Dymos Inc.	8,494	92,837	9,054	98,952
Hyundai Card Co., Ltd.	57,909	48,678	61,724	51,884
Haevichi Resort	13,110	1,130	13,974	1,204
Autoever Systems Corp.	23	69,525	25	74,105
KEFICO Corporation	902	43,211	961	46,057
NGVTEK.Com	114	3,614	122	3,852
Hyundai Motor America	88,556	17,585	94,389	18,743
Hyundai Motor Europe GmbH	68,342	-	72,844	-
Hyundai Motor Poland Sp. Zo.O	9,005	1,465	9,598	1,562
Hyundai Motor India	50,485	112	53,810	119
HAOSVT	30,832	62	32,863	66
Hyundai Motor Company Australia	30,268	-	32,262	-
Hyundai Motor Manufacturing Alabama, LLC	68,607	111	73,126	118
Hyundai Motor Norway AS	977	4	1,041	4
Hyundai Motor Europe Technical Center GmbH	23	4,234	25	4,513
Hyundai America Technical Center Inc.	17	7,131	18	7,601
Others	2,407	2,713	2,566	2,892

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Affiliates:				
Hyundai MOBIS	₩ 84,146	₩ 498,272	\$ 89,689	\$ 531,094
Hyundai Steel Company	558	22,625	595	24,115
Beijing-Hyundai Motor Company	50,804	2,008	54,151	2,140
EUKOR Car Carriers, Inc.	17	39,939	18	42,570
Iljin Bearing Co., Ltd.	66	3,300	70	3,517
Others	3	736	3	784
Others(*):				
Glovis Co., Ltd.	9,946	47,177	10,601	50,285
Amco Corp.	527	144,466	562	153,982
IHL Corp.	141	14,904	150	15,886
Innocean Worldwide, Inc.	113	45,478	119	48,474
BNG Steel Co., Ltd.	-	18,953	-	20,201
Wisco Co., Ltd.	616	8,291	655	8,837
Others	8,953	42,901	9,542	45,727
	<u>₩ 870,772</u>	<u>₩ 1,556,703</u>	<u>\$ 928,130</u>	<u>\$ 1,659,244</u>

(*) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(4) Compensations for registered directors and unregistered directors of the Company for the year ended December 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	
Short-term salaries	₩ 57,232		\$ 61,002	
Severance benefits	10,504		11,196	
	<u>₩ 67,736</u>		<u>\$ 72,198</u>	

Accrued severance benefits and stock option costs for the directors as of December 31 2007 amount to ₩84,012 million (US\$89,546 thousand) and ₩2,249 million (US\$2,397 thousand), respectively.

25. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of December 31, 2007 and 2006 are summarized below.

	Foreign currencies				Korean Won			
	2007		2006		2007		2006	
	(In thousands)				(In millions)			
Assets	US\$	773,350	US\$	545,043	₩	725,557	₩	506,672
	JP ¥	9,225	JP ¥	82,832		77		647
	GBP	6,425	GBP	7,184		12,042		13,104
	CAD	18,363	CAD	13,312		17,572		10,665
	EUR	457,264	EUR	230,592		631,600		281,839
	AUD	24,201	AUD	28,167		19,914		20,688
	AED	301,745	AED	-		77,072		-
					₩	1,483,834	₩	833,615
Liabilities	US\$	270,057	US\$	436,001	₩	253,368	₩	405,307
	JP ¥	21,525,333	JP ¥	23,677,692		179,377		185,119
	GBP	12,661	GBP	7,600		23,729		13,863
	CAD	2,588	CAD	2,760		2,476		2,211
	AUD	3,818	AUD	3,284		3,142		2,412
	EUR	180,238	EUR	198,311		248,955		242,384
	SGD	57	SGD	347		37		210
	CHF	595	CHF	1,088		495		828
	DKK	9	DKK	92		2		15
	SEK	55	SEK	85		8		12
	AED	235	AED	-		60		-
	HKD	7	HKD	-		1		-
	NOK	9	NOK	-		2		-
					₩	711,652	₩	852,361

26. REGIONAL SALES INFORMATION:

Sales by region in 2007 and 2006 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Domestic sales	₩ 12,922,665	₩ 11,839,688	\$ 13,773,891	\$ 12,619,578
Export sales - Vehicle products				
North America	3,302,428	3,484,596	3,519,962	3,714,129
Europe	4,712,506	4,415,840	5,022,923	4,706,715
South America	1,576,026	1,100,678	1,679,840	1,173,181
Asia & Pacific	1,280,704	1,042,990	1,365,065	1,111,693
Middle Asia & Africa	2,730,049	2,110,483	2,909,879	2,249,502
	13,601,713	12,154,587	14,497,669	12,955,220
Export sales - Other	3,964,751	3,341,093	4,225,912	3,561,173
Export sales	17,566,464	15,495,680	18,723,581	16,516,393
Total sales	₩ 30,489,129	₩ 27,335,368	\$ 32,497,472	\$ 29,135,971

27. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses in 2007 and 2006 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Salary-related costs	₩ 1,141,973	₩ 981,976	\$ 1,217,196	\$ 1,046,660
Export-related costs	771,488	681,068	822,307	725,931
Sales promotion and advertisements	343,727	363,422	366,369	387,361
Sales commissions	468,833	408,020	499,715	434,897
Sales warranties	385,879	302,295	411,297	322,207
Taxes and dues	47,083	43,988	50,184	46,886
Communications	18,975	19,247	20,225	20,515
Utilities	17,964	21,116	19,147	22,507
Freight and warehousing	83,124	73,203	88,599	78,025
Rent	14,417	19,229	15,367	20,496
Travel	65,250	61,953	69,548	66,033
Service charges	178,637	174,290	190,404	185,770
Maintenance	17,535	14,158	18,690	15,091
Supplies	15,983	15,387	17,036	16,401
Research	361,560	413,576	385,376	440,819
Depreciation	71,082	70,410	75,764	75,048
Amortization	8,813	9,074	9,394	9,672
Provision for other liabilities	12,712	9,298	13,549	9,910
Other	10,264	10,638	10,940	11,337
	<u>₩ 4,035,299</u>	<u>₩ 3,692,348</u>	<u>\$ 4,301,107</u>	<u>\$ 3,935,566</u>

28. SUMMARY OF RESULTS OF OPERATIONS FOR THE LAST QUARTER (UNAUDITED):

Results of operations for the last quarters of 2007 and 2006 are as follows.

	Korean won		Translation into U.S. dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Sales	₩ 8,736,168	₩ 7,584,113	\$ 9,311,627	\$ 8,083,685
Gross profit	1,810,140	1,283,735	1,929,375	1,368,296
Operating income	636,484	306,668	678,410	326,868
Income before income tax	511,661	546,559	545,365	582,561
Net income	338,018	486,750	360,284	518,813
Earnings per common share	1,246	1,798	1,328	1,916

29. STANDARD ON NATURAL ENVIRONMENT AND POLICY:

The Ministry of Environment appointed the Company as Green Company (May 25, 1996 ~ December 13, 1997) and the Company acquired ISO14001 authentication of environment system (December 1995 ~ December 1998). Disposal of industrial wastes is mostly deputed, and the Ulsan factory has constructed combined waste water facilities in 1997. For the years ended December 31, 2007 and 2006, expenditures of power and water supply in manufacturing cost are ₩218,500 million (US\$232,893 thousand) and ₩194,900 million (US\$207,738 thousand), respectively.

Independent Accountant's Review Report on Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Hyundai Motor Company

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Hyundai Motor Company (the "Company") as of December 31, 2007. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2007, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

A company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2007, and we did not review its IACS subsequent to December 31, 2007. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.



January 25, 2008

Report on the Assessment of Internal Accounting Control System (“IACS”)

To the Board of Directors and Audit Committee of
Hyundai Motor Company

I, as the Internal Accounting Control Officer (“IACO”) of Hyundai Motor Company (“the Company”), assessed the status of the design and operation of the Company’s IACS for the year ended December 31, 2007.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company’s IACS has been appropriately designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS Framework.

January 24, 2008

Chung, Tae Hwan, Internal Accounting Control Officer